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NO.

IN THE
SUPREME COURT OF THE UNITED STATES
OCTOBER TERM, 1983

SOWA & SONS, INC.

Petitioner

vs.

AMERICAN HOIST & DERRICK CO.

Respondent

PETITION FOR A WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

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57 + 3 Foldouts



(i)

QUESTIONS PRESENTED

1. Whether as to non-patent issues the Court of Appeals for the Federal Circuit is required to apply the law of the regional circuit court of appeals in which a case was tried.

2. Whether the Court of Appeals for the Federal Circuit has construed 35 USC §282 (the statutory presumption of validity accorded an issued patent) in a manner which conflicts with Art. I, Sec 8 of the Constitution.

3. Whether it is an abridgement of the right to a jury trial for the Court of Appeals for the Federal Circuit in a patent case (a) to mandate that only special interrogatories (as opposed to a general verdict form) be employed to determine the issue of the obviousness of the patented subject matter, and (b) to

(ii)

require that the jury find only preliminary rather than ultimate facts with respect to the issue of fraud on the Patent and Trademark Office.

TABLE OF CONTENTS

	<u>Page</u>
QUESTIONS PRESENTED	(i)
TABLE OF CONTENTS	(iii)
TABLE OF AUTHORITIES	(v)
CITATION TO OPINIONS BELOW . . .	(x)
PROCEEDINGS BELOW	1
JURISDICTION	5
APPLICABLE LAWS	5
STATEMENT OF THE CASE	6
REASONS FOR GRANTING THE WRIT .	11
CONCLUSION	38
Appendix A United States Patent No. 4,079,584 . . .	1a
Appendix B Photograph of Trial Exhibit 173 . . .	7a
Appendix C Jury Verdict dated November 13, 1981 .	8a
Appendix D Opinion and Order of the Trial Court dated June 29, 1982 . . .	13a

	<u>Page</u>
Appendix E Opinion of the Trial Court dated August 27, 1982	29a
Appendix F Opinion of the Trial Court dated October 14, 1982	37a
Appendix G Judgment dated October 19, 1982 .	47a
Appendix H Order of U.S. Court of Appeals for the Federal Circuit denying Petition for Rehearing dated February 15, 1984 .	49a

(v)

TABLE OF AUTHORITIES

	<u>Page</u>
Statutes:	
The Constitution of the United States of America, Art I, Sec. 8	5
15 USC § 2	4,10, 12,19
15 USC § 15	3
15 USC § 22	3
28 USC § 1254(1)	5
28 USC § 1295	5,14,16
28 USC § 1337	3
28 USC § 1338(a)	2,3,14, 15
28 USC § 1338(b)	3
28 USC § 2201	3
28 USC § 2202	3
35 USC § 103	3,6,7,8, 9,11
35 USC § 282	6,23,24
35 USC § 285	3
Cases:	
<u>American Original Corp. v.</u> <u>Jenkins Food Corp.</u> , 696 F2d 1053 (4th Cir 1982)	35
<u>Black & Decker Manufacturing Co.</u> <u>v. Ever-Ready Appliance</u> <u>Manufacturing Co.</u> , 684 F2d 546 (8th Cir 1982)	24
<u>Connell v. Sears, Roebuck & Co.</u> , 722 F2d 1542, 1547 (Fed Cir 1983)	37

	<u>Page</u>
<u>Corning Glass Works v. Brenner,</u> 470 F2d 410 (DC Cir 1972) . . .	31
<u>Del Mar Engineering Lab. v.</u> <u>Physio-Tronics, Inc.,</u> 642 F2d 1167 (9 Cir 1981)	31
<u>Del Mar Engineering Laboratories,</u> 524 F2d 1178 (Ct Cl Trial Div 1975), <u>aff'd,</u> 525 F2d 1367 (Ct Cl 1975)	31
<u>DeLong Corp. v. Raymond Int'l,</u> <u>Inc.,</u> 622 F2d 1135 (3rd Cir 1980)	35
<u>Dual Mfg & Engineering v. Burris</u> <u>Indus.,</u> 619 F2d 660 (7 Cir 1980)	30
<u>Edward Valves, Inc., v. Cameron</u> <u>Iron Works. Inc.,</u> 286 F2d 933, (5th Cir 1961)	35
<u>Erie R. Co. v. Tompkins,</u> 304 US 64 (1938)	20
<u>Flour City Architectural Metals</u> <u>v. Alpina Aluminum Products, Inc.,</u> 454 F2d 98 (8 Cir 1971)	30,31
<u>Graham v. John Deere,</u> 383 US 1 (1966)	7,13,27,29,31
<u>Hammerquist v. Clarke's Sheet</u> <u>Metal, Inc.,</u> 658 F2d 1319 (9th Cir 1981), <u>remanded sub nom</u> <u>Sarkisian v. Winn-Proof Corp.,</u> 688 F2d 647 (9th Cir 1982), <u>aff'd,</u> 697 F2d 1313 (9th Cir 1983)	32,33

	<u>Page</u>
<u>International Telephone & Telegraph Company v. Raychem Corp., 538 F2d 453 (1st Cir 1976)</u>	35
<u>Julie Research Laboratories, Inc. v. Guideline Instruments, Inc., 501 F2d 1131 (2 Cir 1974)</u>	30
<u>Kabushiki Kaisha Audio-Technica v. Atlantis Sound, Inc., 629 F2d 978 (4 Cir 1980)</u>	30
<u>Koppers Co. v. Foster Grant, 396 F2d 370 (1 Cir 1968)</u>	31
<u>M.A.P. Oil Co., Inc. v. Texaco, Inc., 691 F2d 1303 (9th Cir 1982)</u>	19
<u>Manufacturing Research Corp. v. Graybar Electric Co., 679 F2d 1355 (11th Cir 1982)</u>	31
<u>Nickola v. Peterson, 580 F2d 898 (6 Cir 1978)</u>	30
<u>Norfin, Inc. v. International Business Mach. Corp., 625 F2d 357 (10 Cir 1980)</u>	31
<u>Northrop Corp. v. McDonnell Douglas Corp., 705 F2d 1030 (9th Cir 1983)</u>	19

	<u>Page</u>
<u>Panther Pumps & Equipment Co., Inc., v. Hydro-Craft, Inc., 468 F2d 115 (7th Cir 1972), cert den, 411 U.S. 965 (1973)</u>	33
<u>Penn International Industries v. New World Manufacturing, Inc., 691 F2d 1297 (9th Cir 1982) . .</u>	24
<u>Precision Instrument Mfg. Co. v. Automotive Maintenance Co., 324 US 806 (1945)</u>	28
<u>Railroad Dynamics, Inc. v. A. Stucki Co., _____ F2d _____, _____ (Fed Cir, Appeal Nos. 83-951/961, slip opinion dated January 25, 1984, as amended January 31, 1984.) . . .</u>	34,36
<u>Reed Tool Co. v. Dresser Industries, Inc., 672 F2d 523 (5th Cir 1982)</u>	24
<u>Republic Industries, Inc. v. Schlage Co., 592 F2d 963 (7th Cir 1979)</u>	24
<u>Smith Corp. v. United States, 690 F2d 1368 (Fed Cir 1982) . .</u>	17
<u>Stevenson v. International Trade Comm., 612 F2d 546 (CCPA 1979)</u>	31
<u>Swofford v. B & W, Inc., 395 F2d 362 (5 Cir 1968)</u>	30

	<u>Page</u>
<u>Systematic Tool & Mach. Co. v. Walter Kidde & Co., 555 F2d 342 (3 Cir 1977)</u>	30
<u>Tights, Inc. v. Acme-McCrary Corp., 541 F2d 1047 (4th Cir 1976)</u>	33
<u>Turzillo v. P. & Z. Mergentine, 532 F2d 1393 (DC Cir 1976)</u> . . .	24
<u>Union Carbide Corp. v. American Can Co., 724 F2d 1367 (Fed Cir 1984)</u>	25
<u>Walker Process Equipment, Inc. v. Food Machinery & Chemical Corp., 382 U.S. 172 (1965)</u>	22, 29
<u>Warner-Jenkinson Co. v. Allied Chemical Corp., 477 F Supp 371 (SD NY 1979), aff'd, 633 F2d 208 (2d Cir 1980)</u>	24
<u>William Inglis, Etc. v. Continental Baking Co., 668 F2d 1014, 1028 (9th Cir 1981)</u> .	19

Rules:

Rule 17.1 of the United States Supreme Court	5
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CITATION TO OPINIONS BELOW

American Hoist & Derrick Co. v. Sowa &
Sons, Inc., 725 F2d 1350
(Fed Cir 1984)

IN THE
SUPREME COURT OF THE UNITED STATES
OCTOBER TERM, 1983

NO.

SOWA & SONS, INC.

Petitioner

vs.

AMERICAN HOIST & DERRICK CO.

Respondent.

PETITION FOR A WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

Petitioner - Sowa & Sons, Inc.

("Sowa") prays that a Writ of Certiorari
issue to review the judgment of the
United States Court of Appeals for the
Federal Circuit entered in this case on
January 12, 1984.

PROCEEDINGS BELOW

This case commenced in 1979 with
the filing of an action by respondent

American Hoist & Derrick Co. ("AmHoist") against petitioner Sowa in the United States District Court for the District of Oregon for infringement of AmHoist's U.S. Patent No. 4,079,584 ("the Shahan patent")¹, jurisdiction being founded on 28 USC §1338(a). In an amended answer Sowa counterclaimed for a declaration of invalidity of the patent on the bases of obviousness and fraud on the Patent and Trademark Office ("PTO") and for violation of the antitrust laws and unfair competition as a result of AmHoist's

¹A copy of the Shahan patent, issued March 21, 1978 for a "Heavy Duty Shackle," is attached hereto as Appendix A. The Shahan patent is a simple mechanical patent directed to a U-shaped shackle with a wide bow (or central portion) for use in heavy construction and marine applications. Models of the patented shackle structure and of examples of pertinent prior art items were submitted as trial exhibit 173, a photograph of which is attached hereto as Appendix B.

enforcement of a fraudulently procured patent. Jurisdiction of the counter-claims was founded on 28 USC §§1337, 1338(a) and (b), 2201, 2202 and 15 USC §§15 and 22. Both parties made timely demand for jury trial.

At the conclusion of the trial, at which infringement of the patent was conceded, the jury rendered a verdict finding all three of the patent claims in suit invalid for obviousness of the subject matter under 35 USC §103 and for fraud on the PTO (Appendix C). In three separate opinions (Appendices D-F) the lower court held the patent invalid, awarded attorney's fees to Sowa under the "exceptional case" provisions of 35 USC §285 and dismissed Sowa's counter-claims for antitrust violation and for unfair competition. Judgment was entered

on October 19, 1982 (Appendix G).

Both parties appealed to the Court of Appeals for the Federal Circuit. The appeals were thereafter consolidated for briefing and argument. On January 12, 1984 the Federal Circuit reversed the dismissal of Sowa's counterclaims for attempted monopolization under 15 USC §2 and for unfair competition based on AmHoist's enforcement of its fraudulently procured patent. It also reversed the lower court's determination that the Shahan patent was invalid, vacated the award of attorney's fees and remanded for a new trial in conformity with the rulings set forth in its opinion. 715 F2d 1350, 1352 and 1356.

On February 15, 1984 the Federal Circuit denied Sowa's petition for rehearing (Appendix H).

JURISDICTION

The judgment of the Court of Appeals for the Federal Circuit was made final by the denial of Sowa's petition for rehearing. Jurisdiction of this Court is invoked under 28 USC §1254(1) and Rule 17.1 of the Rules of this Court.

APPLICABLE LAWS

Art. I., Sec. 8 of the United States Constitution provides in pertinent part:

The Congress shall have Power.... [8] To promote the Progress of Science and useful Arts by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.

28 USC §1295 provides in pertinent part:

(a) The United States Court of Appeals for the Federal Circuit shall have exclusive jurisdiction--
(1) of an appeal from a final decision of a district court of the United States...if the jurisdiction of that court was

based, in whole or in part, on
§1338 of this title....

35 USC §103 provides in pertinent part:

A patent may not be obtained...
if the differences between the
subject matter sought to be
patented and the prior art are
such that the subject matter as
a whole would have been obvious
at the time the invention was
made to a person having ordinary
skill in the art to which said
subject matter pertains.

35 USC §282 provides in pertinent part:

A patent shall be presumed
valid. Each claim of a patent...
shall be presumed valid.... The
burden of establishing invalidity
of a patent or any claim thereof
shall rest on the party asserting
such invalidity.

STATEMENT OF THE CASE

At the conclusion of the trial on
AmHoist's patent infringement claim the
jury was instructed, inter alia, that:

If you find the prior art
references which defendant has
cited are no more pertinent than
the art utilized by the examiner
when examining the Shahan patent

then defendant has the burden of establishing obviousness by "clear and convincing evidence." If, on the other hand, you find any of the prior art references which defendant has cited are more pertinent than the art utilized by the examiner when examining the Shahan patent, then that presumption of validity disappears as to that issue of obviousness and the plaintiff has the burden of proof by a preponderance of the evidence.

The jury was also instructed as to the several factual inquiries required by Graham v. John Deere, 383 US 1 (1966), in connection with the obviousness issue. (Reporter's transcript at 653-654.)

Thereafter the jury entered a verdict (Appendix C) in which it found all three of the patent claims in suit to be invalid for obviousness under 35 USC §103 and for fraud on the PTO. Specifically, it found each claim invalid because:

- a. The subject matter of the claim would have been

obvious to one of ordinary skill in the art at the time the claimed invention was made.

and

- b. Plaintiff committed fraud on the Patent Office in connection with the claim.

Based on the jury's verdict, the district court, treating the ultimate issue of obviousness as a legal question to be decided by the court, held the Shahan patent invalid under §103 and determined that there was sufficient evidence upon which the jury could have relied in finding that the patent was obtained by fraud:

The jury determined that the subject matter of the Shahan patent would have been obvious to one of ordinary skill in the art at the time of the claimed invention. I agree. [Appendix E, p 4.]

....

Because the issue of obviousness under 35 USC §103 is one of law rather than of fact, it is incumbent [sic] upon the court rather than the jury to make the final determination. Guided by the jury's findings and by the evidence, I hold the Shahan patent to be invalid under §103. [Appendix E, p 2.]

....

A jury determined that AmHoist's patent was invalid. On each claim of the patent in issue, the jury determined that AmHoist committed fraud on the Patent Office. [Appendix D, p 5.]

....

A jury properly concluded that AmHoist committed fraud on the Patent Office. [Appendix D, p 6.]

With respect to Sowa's counterclaims for unfair competition and violation of the antitrust laws, the district court, in granting summary judgment to AmHoist, held that the proof offered by Sowa

would be insufficient to establish the requisite degree of materiality of fraud and dismissed the counterclaims.

On appeal, the Federal Circuit, in vacating the trial court judgment and remanding for a new trial, set forth the following holdings, review of which is herein requested:

1. On retrial Sowa may offer proof on its antitrust and unfair counterclaims but, with respect to the claim for violation of 15 USC §2 (attempted monopolization), Sowa is required to establish "relevant market" as one of the elements of the claim. In the Ninth Circuit Court of Appeals "relevant market" is not a necessary element of an attempted monopolization claim.

2. It is reversible error to instruct a jury: (a) that the presumption

of patent validity may be dissipated by a showing that the PTO did not have before it the most relevant prior art when it considered and granted the patent, and (b) that the burden of proof as to the issue of patent validity can never be placed upon the patentee.

3. (a) It was error to submit the factual issues underlying the 35 USC §103 obviousness question to the jury in the form of a general verdict, and (b) as to fraud, the jury may only determine the state of mind of the patent applicant and the "pertinence" of the alleged fraud but may not make the ultimate determination as to whether or not the patent was obtained by fraud.

REASONS FOR GRANTING THE WRIT

1. This Court should grant the writ in order to resolve the conflict (and

innumerable potential conflicts) created by the Federal Circuit's decision to develop and apply its own body of law as to non-patent issues heard under its ancillary jurisdiction. Such conflicts could be avoided by requiring the Federal Circuit to apply the interpretation of law recognized by the regional court of appeals for the circuit in which the trial court is located. Furthermore, review by this Court is necessary in order to resolve the irreconcilable conflict between the holding of the Federal Circuit pronounced in this case and the long-established rule of the Ninth Circuit Court of Appeals as to the necessity or not of establishing "relevant market" as an element of a party's attempted monopolization claim under §2 of the Sherman Act.

2. This Court should grant the writ in order to resolve an important question of federal law--namely, whether the presumption of validity and burden of proof as construed by the Federal Circuit conflict with the constitutional standard of invention as that standard is set out in Graham v. John Deere, supra.

3. This Court should grant the writ in order to exercise a supervisory function over the decisions of the Federal Circuit relating to the role of juries since jury issues are new to that court, its predecessor courts having had no jurisdiction to review cases in which judgment would have been entered upon jury verdicts. The Federal Circuit opinion in the instant case limits the role of the jury to that of a master and refuses to recognize the long-established

principle that all necessary underlying factual determinations may be, and ordinarily are, inferred from the jury's general verdict.

The foregoing reasons for granting the writ are discussed under separate headings below.

1. Law to be Applied by
the Federal Circuit
to Non-Patent Issues

Under 28 USC §1295 the new court has exclusive jurisdiction over all cases in which the district court's jurisdiction was based "in whole or in part" on 28 USC §1338. Consequently, where a patent is involved and jurisdiction on that ground is alleged, despite the fact that the case may involve causes of action unrelated to the patent, the Federal Circuit will hear and decide appeals relating to those issues. Were that court to develop

its own interpretation of law for the myriad of issues with which it will be confronted, district courts across the country will be required, should a patent be involved, to elect at their peril to follow the law of the regional circuit of which they are a part or the law of the Federal Circuit, without knowing until the conclusion of the trial and the filing of the appeal by which court of appeals the conduct of the trial will be judged². The instant case is a good example of the difficulties which will be encountered by the district courts in

²Despite language in the statute giving the Federal Circuit exclusive jurisdiction over cases in which jurisdiction is based "in whole or in part" on 28 USC 1338, the legislative history of the Federal Courts Improvement Act suggests that "mere joinder of a patent claim in a case whose gravamen is antitrust should not be permitted to avail a plaintiff of the jurisdiction of the Federal Circuit in avoidance of the

trying to apply the law as interpreted by two separate courts of appeal. Here the Oregon district court applied long-recognized principles of law in the Ninth Circuit Court of Appeals on both patent and non-patent issues (there having been no Court of Appeals for the Federal Circuit at the time the case was tried), only to be reversed on all counts and required on retrial to apply the new court's interpretation of the law on both patent and non-patent issues.

The Court of Appeals for the Federal Circuit was "created and chartered with the hope and intent that stability and

²(Cont.)

traditional jurisdiction and governing legal interpretations of a regional court of appeals." Senate Committee on the Judiciary, Report No. 97-275, November 18, 1981. Appeal to a regional circuit in a case having a patent aspect does not, therefore, appear to be wholly foreclosed by 28 USC §1295.

uniformity would be achieved in all fields of law within its substantive jurisdiction," Smith Corp. v. United States, 690 F2d 1368, 1369 (Fed Cir 1982). Such uniformity with respect to patent law may well be desirable and attainable through the consolidation of all appellate jurisdiction over patent cases in the Federal Circuit (although, as indicated below, the new Court in its zeal for uniformity must not be allowed to rewrite the law or disregard the constitutional limitations on patent rights). With respect to issues heard by the Federal Circuit under its pendant jurisdiction, however, it should be required to apply the law of the respective geographic circuits. The congressional history of the legislation which created the Federal Circuit reveals that Congress

was particularly concerned that the function of the new court be to resolve conflict between the circuits, not create it. As indicated in the report of the Senate Committee on the Judiciary on the Federal Courts Improvement Act of 1981, Report No. 97-275, Nov. 18, 1981:

The Committee is concerned that the exclusive jurisdiction over patent claims of the new Federal Circuit not be manipulated. This measure is intended to alleviate the serious problems of forum shopping among the regional courts of appeals on patent claims by investing exclusive jurisdiction in one court of appeals. It is not intended to create forum shopping opportunities between the Federal Circuit and the regional court of appeals on other claims. [Emphasis added]

In the instant case, a three-judge panel of the Federal Circuit, without ever weighing the countervailing policies in favor of its respective choices, elected to "hold" that, in cases appealed

to the Federal Circuit, proof of "relevant market" would be required as an element of §2 Sherman Act attempted monopolization claims despite the fact that the Ninth Circuit Court of Appeals has unambiguously and repeatedly held that "relevant market" is not a necessary element of such violations. (The Federal Circuit panel's opinion suggests that the Ninth Circuit rule is not clear but ignores the unequivocal statements of that court in the following cases, all of which were cited in petitioner's briefs to that court: Northrop Corp. v. McDonnell Douglas Corp., 705 F2d 1030, 1059 (9th Cir 1983); M.A.P. Oil Co., Inc. v. Texaco, Inc., 691 F2d 1303, 1308 (9th Cir 1982); William Inglis, Etc. v. Continental Baking Co., 668 F2d 1014, 1028 (9th Cir 1981).

This is a matter in urgent need of consideration by this Court since it affects the relationship between the new Federal Circuit and the other circuit courts of appeals and since district court judges in pending actions throughout the country will not be able to apply the long-established law of their own circuits in non-patent areas without concern that a directly contrary rule might be enunciated by the Federal Circuit on appeal.

Unless the new court is required to apply the substantive law (with respect to non-patent issues) of the circuit in which the case was tried (in the same way that the federal courts have been required to apply state substantive law to non-federal claims since Erie R. Co. v. Tompkins, 304 US 64 (1938)), it will

create more conflict than it resolves and will be required to establish precedent on issues completely outside its area of particular expertise. Within a single jurisdiction, a litigant's substantive rights in non-patent areas may well differ depending upon whether or not a patent is involved. Congress clearly did not intend that this should be the result of the legislation creating the new court.

2. The Presumption of Patent
Validity as Interpreted by
the Federal Circuit Conflicts
With the Constitutional
Standard of Invention

It is crucial for this Court, early in the history of the new Federal Circuit, to enforce the constitutional limitations on the new court's interpretation of the patent law. While uniformity of decision is a hoped-for

benefit of the creation of the Federal Circuit, the fear remains that it will become a law unto itself should this Court decline to review decisions of the new court which conflict with the Constitution and prior Supreme Court decisions. The new court has from time to time disclosed a certain disrespect for the opinions of this Court³ and, as indicated below, for the Constitution itself.

In AmHoist, the Federal Circuit reversed the lower court's determination of patent invalidity on the ground of obviousness because it said that the jury verdict on which the determination was

³See AmHoist, 725 F2d at 1354-55, where the Federal Circuit refers to the doctrine of "technical fraud" as set forth in Walker Process Equipment, Inc. v. Food Machinery & Chemical Corp., 382 U.S. 172 (1965) as an "unfortunate choice of words"; and see discussion of patents as monopolies infra at fn 5, p 28.

based could not stand in light of error in the instructions. The error involved the trial court's treatment of the statutory presumption of validity as set forth in 35 USC §282 and the burden of proof as it affects the validity issue. The trial court (in conformity with the law of the Ninth Circuit Court of Appeals) instructed the jury that, although a patent is presumed valid, if the most pertinent prior art was not before the PTO examiner at the time he or she was considering the patent application, the presumption is dissipated. The presumption being dissipated, the burden of proof is then on the patentee to establish the validity of the patent.

Most of the other circuits have recognized a similar effect on the §282 presumption which, as originally enacted

as part of the Patent Act of 1952, was merely a declaration of existing law (Revisor's Note to §282, Patent Act of 1952). Penn International Industries v. New World Manufacturing, Inc., 691 F2d 1297, 1300 (9th Cir 1982); Black & Decker Manufacturing Co. v. Ever-Ready Appliance Manufacturing Co., 684 F2d 546, 548 (8th Cir 1982); Republic Industries, Inc. v. Schlage Co., 592 F2d 963, 972 (7th Cir 1979); Reed Tool Co. v. Dresser Industries, Inc., 672 F2d 523, 526 (5th Cir 1982); Warner-Jenkinson Co. v. Allied Chemical Corp., 477 F Supp 371, 382 (SD NY 1979), aff'd, 633 F2d 208 (2d Cir 1980); Turzillo v. P. & Z. Mergentine, 532 F2d 1393 (DC Cir 1976).

The Federal Circuit, however, has construed the section in such a way as to put an intolerable burden on the party

challenging the patent and, consequently, the new court's rule conflicts with the constitutional standard of invention. While the Federal Circuit has called the constitutional standard of invention a mere "cliche"⁴ which it rejects, this Court recognized and articulated that standard in unambiguous language:

At the outset it must be remembered that the federal patent power stems from a specific constitutional provision which authorizes the Congress "To promote the Progress of * * * useful Arts, by securing for limited Times to * * * Inventors the exclusive Right to their * * * Discoveries * * *." Art. I, §8. The clause is both a grant of power and a limitation. This qualified authority, unlike the power often exercised in the Sixteenth and Seventeenth Centuries by the English Crown, is limited to the promotion of advances in the "useful arts." It was written against the backdrop of the practices--eventually

⁴Union Carbide Corp. v. American Can Co., 724 F2d 1367, 1374 fn 17 (Fed Cir 1984).

curtailed by the Statute of Monopolies--of the Crown in granting monopolies to court favorites in goods or businesses which had long before been enjoyed by the public. See Meinhardt, *Inventions, Patents and Monopoly*, pp. 30-35 (London, 1946). The Congress in the exercise of the patent power may not overreach the restraints imposed by the stated constitutional purpose. Nor may it enlarge the patent monopoly without regard to the innovation, advancement or social benefit gained thereby. Moreover, Congress may not authorize the issuance of patents whose effects are to remove existent knowledge from the public domain, or to restrict free access to materials already available. Innovation, advancement, and things which add to the sum of useful knowledge are inherent requisites in a patent system which by constitutional command must "promote the Progress of * * * useful Arts." This is the standard expressed in the Constitution and it may not be ignored. And it is in this light that patent "validity requires reference to a standard written into the Constitution." A. & P. Tea Co. v. Supermarket Corp., supra, at 154.

Graham v. John Deere, 383 U.S. at 5-6.

While no issue relating to the presumption of validity was specifically addressed by the Court in Graham, it should be noted that in that case the lower court had applied the same rule applied by the trial court in the instant case--namely, that the presumption of validity is dissipated by a showing that the most pertinent prior art was not before the examiner at the time of examination of the patent application. In its decision this Court upheld a judgment of patent invalidity against a patentee who had not been accorded the benefit of a never-dissipatable presumption of validity, such as is now required by the Federal Circuit.

To presume a patent valid and require the party alleging invalidity to

prove the same by clear and convincing evidence, even after such party has established that the PTO did not have before it the information necessary to determine patentability, is to so strengthen the hand of the patent monopoly owner⁵ as to emasculate the constitutional standard of invention.

⁵The Federal Circuit has also expressed disapproval of this Court's characterization of patent law as an "exception" to the antitrust law and of patents as "legal monopolies." AmHoist 725 F2d at 1367. This Court stated in Precision Instrument Mfg. Co. v. Automotive Maintenance Co., 324 US 806, 186 (1945):

A patent by its very nature is affected with a public interest.(I)t is an exception to the general rule against monopolies and to the right to access to a free and open market. The far-reaching social and economic consequences of a patent, therefore, give the public a paramount interest in seeing that patent monopolies...are kept within their legitimate scope.
[Emphasis added.]

3. Federal Circuit has Limited the Right to Jury Trials in Patent Cases

Possibly the most important area in which this Court will be required to maintain vigilant watch over the decisions of the Federal Circuit is in the area of the right to a jury trial and the limits which may be placed on the function of a jury in patent related cases. This is so because of the relative lack of experience of the Federal Circuit's

⁵(Cont.)

In Walker Process, Inc. v. Food Machinery Co., 382 US at 177, the Court stated:

Walker's counterclaim alleged that Food Machinery obtained the patent by knowingly and willfully misrepresenting facts to the Patent Office. Proof of this assertion would be sufficient to strip Food Machinery of its exemption from the antitrust laws. [Emphasis added.]

See lengthy discussion of the "patent monopoly" in Graham v. John Deere, 383 U.S. at 5-10.

predecessor courts and its judges with juries, most of the cases which they previously heard having been appealed from administrative tribunals. In the instant case the Federal Circuit held that, on retrial, the jury should be permitted only to respond to preliminary factual inquiries as regards obviousness and fraud on the PTO.

With respect to obviousness, the obviousness or non-obviousness of an invention has been recognized by the great majority of the circuits⁶ as a

⁶Julie Research Laboratories, Inc. v. Guideline Instruments, Inc., 501 F2d 1131, 1135-36 (2 Cir 1974); Systematic Tool & Mach. Co. v. Walter Kidde & Co., 555 F2d 342 (3 Cir 1977); Kabushiki Kaisha Audio-Technica v. Atlantis Sound, Inc., 629 F2d 978 (4 Cir 1980); Swofford v. B & W, Inc., 395 F2d 362 (5 Cir 1968); Nickola v. Peterson, 580 F2d 898 (6 Cir 1978); Dual Mfg & Engineering v. Burris Indus., 619 F2d 660 (7 Cir 1980); Flour City Architectural Metals v. Alpana

question of law based, however, on subsidiary factual issues which were clearly set forth in this Court's opinion in Graham v. John Deere. While Sowa does not dispute the legal nature of the obviousness question, nevertheless, if a jury has been properly instructed in the factual requirements set forth in Graham,

⁶(cont.)

Aluminum Products, Inc., 454 F2d 98 (8 Cir 1971); Del Mar Engineering Lab. v. Physio-Tronics, Inc., 642 F2d 1167, 1172 (9 Cir 1981); Norfin, Inc. v. International Business Mach. Corp., 625 F2d 357, 364-65 (10 Cir 1980); but compare: Manufacturing Research Corp. v. Graybar Electric Co., 679 F2d 1355 (11th Cir 1982) Corning Glass Works v. Brenner, 470 F2d 410, 412-13 (DC Cir 1972). The former Court of Custom and Patent Appeals and Court of Claims have both held that obviousness is a question of law freely reviewable on appeal. See Stevenson v. International Trade Comm., 612 F2d 546 (CCPA 1979); Del Mar Engineering Laboratories, 524 F2d 1178 (Ct Cl Trial Div 1975), aff'd, 525 F2d 1367 (Ct Cl 1975); The First Circuit's rule is contra, Koppers Co. v. Foster Grant, 396 F2d 370 (1 Cir 1968).

its "finding" of obviousness is an entirely proper method of articulating its findings on the underlying issues. While special interrogatories may be more useful to appellate courts than general verdicts and for that reason may be preferred, nevertheless, to hold that it was error to use a general verdict in the instant case is to unnecessarily confine the jury to the role of preliminary factfinder. It has been held repeatedly by the geographic circuit courts that patent cases are not different from other cases in this regard and that a jury may make ultimate factual findings on which legal conclusions are then based. E.g.

Hammerquist v. Clarke's Sheet Metal, Inc., 658 F2d 1319, 1322 (9th Cir 1981), remanded sub nom Sarkisian v. Winn-Proof Corp., 688 F2d 647 (9th Cir 1982), aff'd,

697 F2d 1313 (9th Cir 1983); Tights, Inc. v. Acme-McCrary Corp., 541 F2d 1047, 1060-61 (4th Cir 1976); Panther Pumps & Equipment Co., Inc., v. Hydro-Craft, Inc., 468 F2d 115, 227-28 (7th Cir 1972), cert den, 411 U.S. 965 (1973).⁷

⁷The Federal Circuit itself, in another case, has recognized that general verdicts are an appropriate means of articulating factual findings:

When and if Rules 49, 50, and 51, Fed. R. Civ. P., are repealed, there may be room for the restriction of juries to a fact-finding role and for prohibition of general verdicts in patent or other types of jury trials. Until that day, a prohibition of general verdicts (and disregard of the findings and legal conclusions a jury must make in reaching those verdicts) cannot be accomplished by judicial fiat.

....

Thus it is neither error nor dangerous to justice to submit legal issues to juries, the submission being accompanied by appropriate instructions on the

With respect to Sowa's allegation that the Shahan patent is invalid as a result of fraud committed by the applicant in obtaining the patent, the Federal Circuit has held that the trial court should have submitted the materiality and intent aspects of the fraud issue to the jury separately, again as preliminary factual determinations which the court would then consider in deciding the

⁷(Cont.)

law from the trial judge.
[Emphasis deleted.]

Railroad Dynamics, Inc. v. A. Stucki Co.,
F2d _____, (Fed Cir, Appeal
Nos. 83-951/961, pp 16-17, slip opinion
dated January 25, 1984, as amended
January 31, 1984.)

"legal" issue of fraud⁸. To relegate the jury to the role of preliminary fact-finder on an issue such as fraud is to deprive the parties of their right to a jury trial on the issue. The Federal Circuit mistakes its own lack of definition of the constituent elements of the fraud defense for a complicated "legal" issue which it presumes the jury is incapable of resolving. The mere fact that fraud includes elements of intent and materiality which must be balanced with one another does not preclude it from jury consideration nor render it a legal

⁸Other circuit courts have treated fraud as a factual issue. Edward Valves, Inc., v. Cameron Iron Works, Inc., 286 F2d 933, 947-48 (5th Cir 1961), ("Fraud is a question of fact"); International Telephone & Telegraph Company v. Raychem Corp., 538 F2d 453, 461 (1st Cir 1976); Cf. American Original Corp. v. Jenkins Food Corp., 696 F2d 1053, 1060-61 (4th Cir 1982), DeLong Corp. v. Raymond Int'l, Inc., 622 F2d 1135 (3rd Cir 1980).

question. But in AmHoist the Federal Circuit would require the jury to determine the pertinency of the fraud as an independent element presumably on a scale ranging from "unrelated" to "outcome determinative." With respect to intent, the jury would similarly have to quantify the degree of purposefulness of the patentee's conduct. But on the other hand it would be barred from balancing the two elements to determine whether the patent was obtained by "fraud." The court's effort to segregate the functions of identifying and weighing the constituent elements of fraud is unprecedented.⁹

⁹As the Federal Circuit pointed out in Railroad Dynamics, Inc. v. A. Stucki Co., supra, ____ F2d at ____ (p 17, slip opinion), "The comparatively recent resurfacing of jury trials in patent cases, though productive of discomfort for some judges and commentators, may or may not be wise or welcome; it forms no

As the Federal Circuit has itself recognized, Connell v. Sears, Roebuck & Co., 722 F2d 1542, 1547 (Fed Cir 1983), ultimate facts such as negligence in personal injury cases are submitted routinely to juries despite the fact that negligence, like obviousness (or fraud), includes multiple preliminary facts which must be determined and weighed prior to the issuance of a verdict.

Lest the patent law and the new court come to represent an entirely separate legal system outside the system comprising the geographic circuit courts supervised by this Court, Sowa urges that the Federal Circuit not be permitted to

⁹(Cont.)

basis for creation of special and unauthorized rules, or for the consequent risk of effectively denying the constitutional right spelled out in the first clause of the Seventh Amendment."

diminish the right to jury trial in its fullest sense simply because one's grievance relates to a patent.

CONCLUSION

For the foregoing reasons, the Petition for Writ of Certiorari should be granted.

Respectfully submitted,

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Of Counsel	Attorney for Petitioner
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May 1984

APPENDIX A

**United States Patent
No. 4,079,584**

United States Patent [19]

4,079,584

[11]

Shahan

Mar. 21, 1978

[54] HEAVY DUTY SHACKLE

[75] Inventor: James B. Shahan, Tulsa, Okla.

[73] Assignee: American Hotel & Derrick Company,
Tulsa, Okla.

[21] Appl. No.: 739,056

[22] Filed: Nov. 5, 1976

[51] Int. Cl.² B21L 13/00; F16G 15/06
[52] U.S. Cl. 59/35 R; 59/86
[58] Field of Search 59/86, 35, 93;
24/201 LP; 114/114

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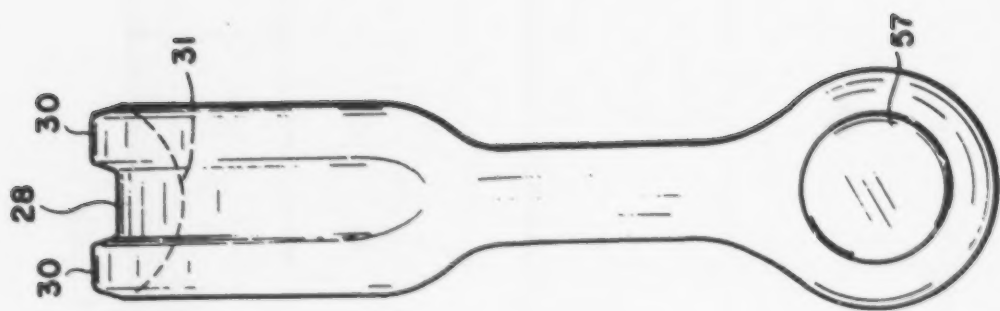
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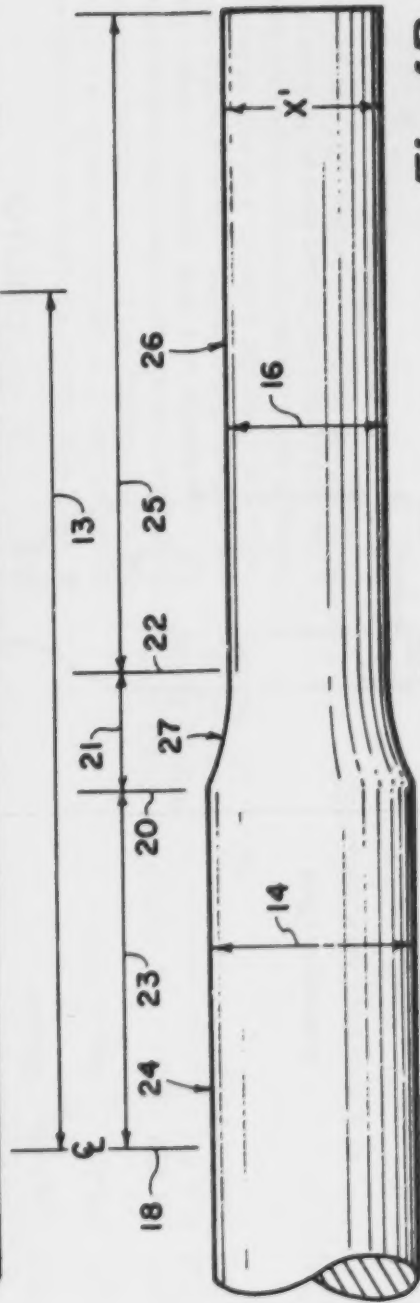
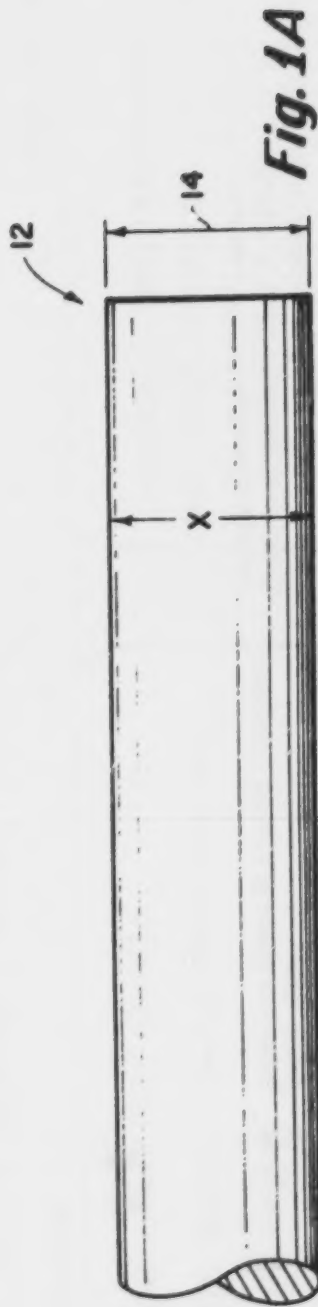
Primary Examiner—C.W. Lanham
Assistant Examiner—Gene P. Crosby
Attorney, Agent, or Firm—Head, Johnson & Chafin

[57] ABSTRACT

A heavy duty shackle for use under great loads, such as in anchor lines. The shackle is formed from a cylindrical bar rod by shaping the ends to a reduced diameter, and forging the central portion into a flattened shape having the cross-section of a wide shallow U shape. The bottom surface of the central section is in the form of a portion of a circular cylinder. The ends of the bar are flattened and a central opening is forged and based for a pin. The formed bar is then bent in the form of a bow to provide an eye for the shackle, with two parallel ears spaced a selected distance apart.

7 Claims, 8 Drawing Figures





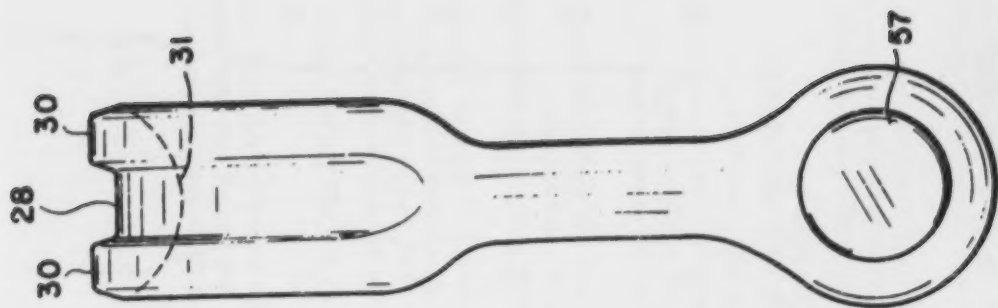


Fig. 6

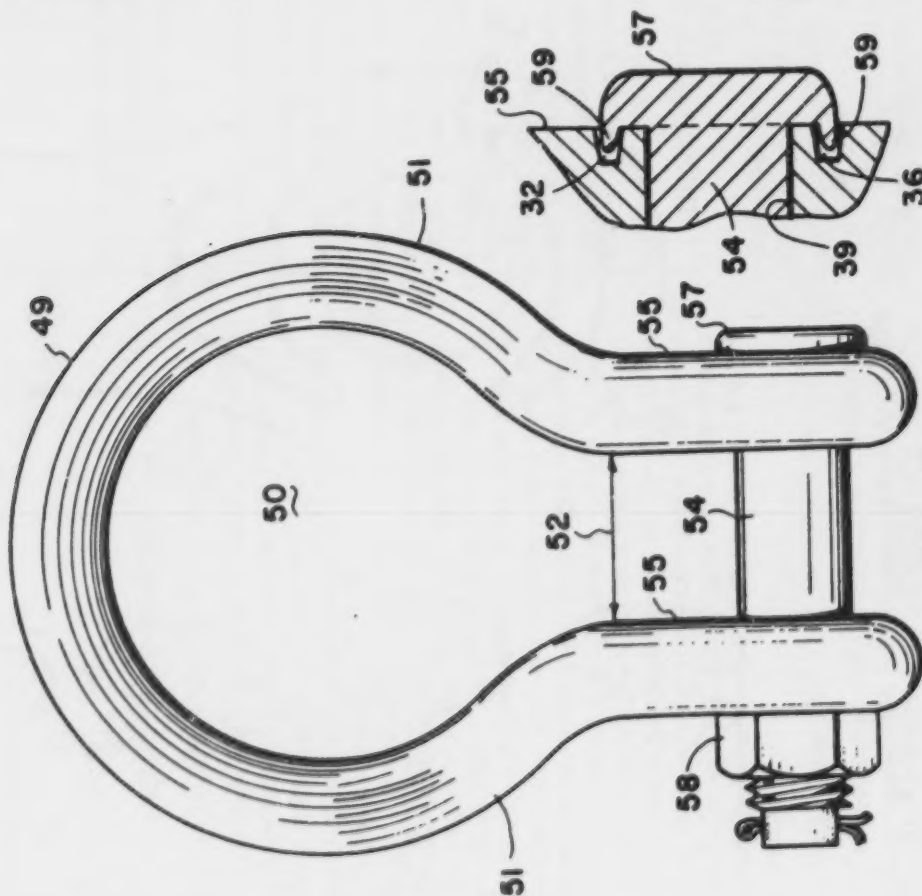
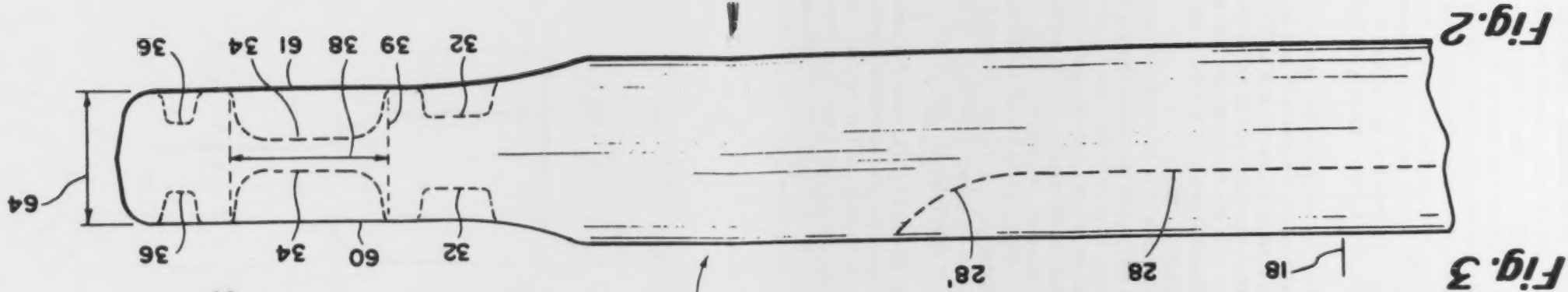
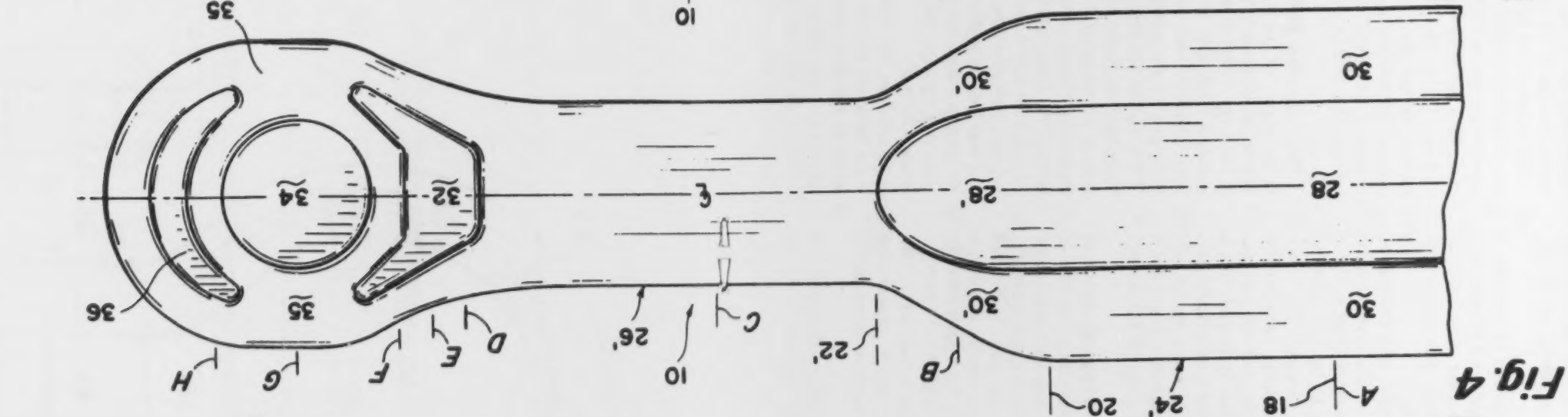
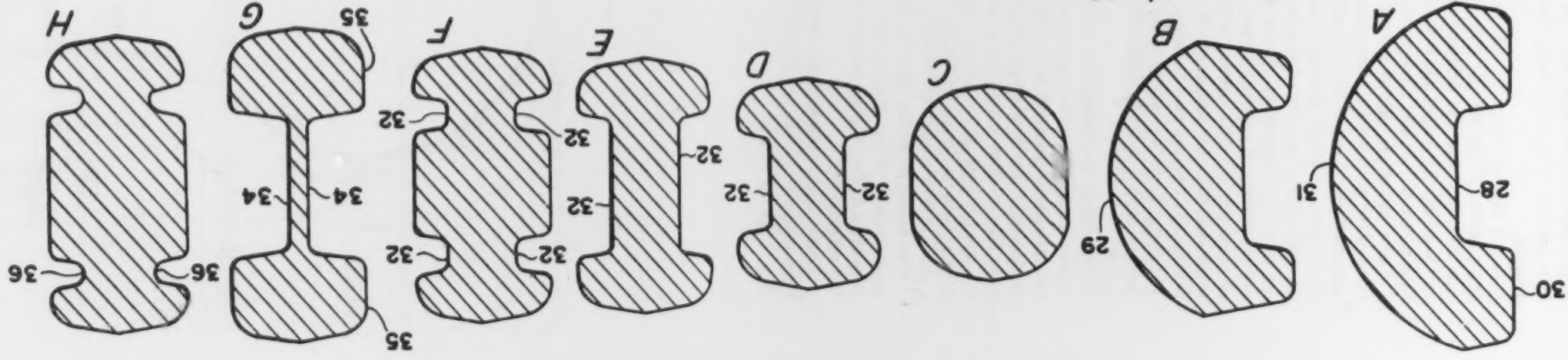


Fig. 5A

Fig. 5



HEAVY DUTY SHACKLE

BACKGROUND OF THE INVENTION

This invention lies in the field of heavy duty cable fittings. More particularly, it concerns the design of a very heavy duty shackle, such as would be used in an anchoring system, and subjected to forces of several hundred tons or more.

In the prior art, shackles in the form of a U shape, with pins which pass through openings in the ears, have been constructed of round bar stock, which is flattened on the ends, drilled for a pin, and then bent into a U shape. Such shackle bows having a round cross-section are unsatisfactory, since they provide a very small radius around which a heavy wire rope must bend when in use. With small size wire ropes, a thimble is often used, which will provide a surface of greater radius, to support the wire rope and utilize the full strength in the wire rope. However, for very heavy loads a thimble is not practical, and there is consequently a weakness in the use of a heavy wire rope when bent around a small radius shackle.

SUMMARY OF THE INVENTION

It is a primary object of this invention to provide a heavy duty shackle bow which has a cross-section, the inner surface of which is in the shape of a part of a cylinder, which has a radius greater than the radius of the round bar from which it is fabricated.

It is a further object of this invention to provide a cross-section for the bow of a heavy duty shackle, which provides a greater length of contact between the bow and the wire rope looped through the eye of the shackle.

It is a further object of this invention to provide a cross-section of the shackle bow that has a greater section modulus than the original circular cross-section, and has a lighter weight and provides a greater strength than a bow of circular cross-section.

These and other objects are realized, and the limitations of the prior art are overcome in this invention, by manufacturing a heavy duty shackle bow from a round rod of selected length and diameter D, by first fullering the two ends to a selected smaller diameter D'. There are two short transition conical sections between the central portion of diameter D and the two end portions of diameter D'. The central portion is forged into a somewhat flattened shape which has a cylindrical surface on the bottom, and a shallow U shape on the top. The shape is much wider than the diameter D and has a greater section modulus than the original cylindrical shape.

The shape is substantially of constant thickness of cross-section, so that in heat treatment the properties of the metal will be much more uniform than where the thickness of the metal varies throughout the cross-section. The contact length between the inner surface of the shackle bow and a wire rope connected thereto, is greater than the length of contact of the inner surface of a shackle bow made out of round stock.

The radius to which the wire rope is bent around the inner surface of the shackle bow is much greater than the radius of the original bar and is at least twice that of the original bar.

The two fullered ends of the rod are flattened and broadened, and holes are forged and drilled for the pin that locks the shackle.

The forged bar is then bent in the form of a bow with a more or less circular eye, and having two ears which are spaced apart a selected distance for entry of the wire rope loop.

BRIEF DESCRIPTION OF THE DRAWINGS

These and other objects and advantages of this invention and a better understanding of the principles and details of the invention will be evident from the following description taken in conjunction with the appended drawings in which:

FIGS. 1A and 1B represent views of the original bar rod and the bar after fullering, respectively.

FIGS. 2 and 3 illustrate plan and elevational views of the forged rod.

FIG. 4 illustrates the various cross-sections of the forged rod at selected points along its length.

FIGS. 5, 5A and 6 show two views of the completed shackle, and a detail of the pin.

DESCRIPTION OF THE PREFERRED EMBODIMENT

Referring now to the drawings there is shown in FIG. 1A a view of a cylindrical rod of selected half length 13 and diameter 14 or X indicated generally by the numeral 12.

FIG. 1B shows the shape of the rod after fullering, in which the diameter of the ends has been reduced from the original diameter 14 to a lesser diameter 16 or X'. The central portion 24 of the rod now extends from the mid-point a distance 23 at the original diameter 14. There is then a short portion 27 of more or less conical transitional shape, for a length 21, to a plane 22, and then a portion 26 of length 25 of constant diameter 16.

The fullered rod 26 of FIG. 1B is then forged into the shape shown in FIGS. 2 and 3, and in the various cross-sections shown in FIG. 4. The central portion 24' as at plane 18 is flattened and broadened into a section shown in A of FIG. 4. This has on the underside a cylindrical surface 31, and on the top a flat surface 30 with a depressed central portion 28, which provides a shallow U-shaped cross-section. The radius of the cylindrical portion 31 is at least twice the radius of the original rod 12.

The depression 28 becomes shallower and narrower in the region of the rod between the planes 20 and 22, where the cross-section at plane B is shown as B in FIG. 4. Here the width of the cross-section and its radius are reduced from that of A and the shape merges into a somewhat flattened cylinder shown by C in FIG. 4, and indicated for the portion C of FIG. 3.

The end of the portion 26 of FIG. 1B is flattened and broadened in order to form a portion where there is a central opening for a pin, with sufficient material surrounding the depressions 34 to provide sufficient strength to carry the load of the shackle. In the center of this broadened portion there are depressions 34 on top and bottom surfaces 60, 61 which spread the metal outwardly to provide a thick rim 35. The depressions 34 are of somewhat lesser diameter than the diameter 38 of the opening that will be bored for the pin, shown in dashed lines 39.

In addition, the faces 60 and 61 of the ends that have been flattened to a thickness 64, have additional depressions 32 and 36 in each of the surfaces. The purpose is to thin the cross-section and to provide better heat treatment of the end portions of the shackle. These depressions 32 and 36, which are somewhat arcuate in shape,

have an additional advantage as will be explained, in connection with FIGS. 5 and 6, that when the pin is inserted through the openings 39, that are bored in the ends of the ears, there may be spurs or projections on the inner surface of the head of the pin, which lock into the depressions 32 and/or 36 and lock the pin against rotation.

The next step in the manufacture of the shackle is, of course, to form the forged bar into a loop, which provides, as in FIGS. 5 and 6 an arcuate portion surrounding an eye 50, and rein sections 51 of more or less cylindrical cross-section, leading to the broader and thinner ears 55 of the shackle which are spaced apart by distance 52 less than the diameter of eye 50. When completely bent into shape, the two openings 39 are opposite each other, and a pin 54 can be inserted into the openings 39 in the ears and locked by any selected means, such as, for example, by a threaded nut 58 and/or cotter pin as shown.

In the enlarged section FIG. 5A there is shown a 20 detail of spurs or projections 59 on the head 57 of the pin 54, which lock into the grooves 32 and/or 36.

After the customary shackle is formed, it is then heat treated, as is customary. The change in cross-section is advantageous in providing a more uniform heat treatment, and development of the full strength of the metal E.

What has been described is a method of manufacture and a very heavy duty shackle, which is forged with a specific type of cross-section, from a round bar, which better utilizes the strength of the material, has a greater section modulus, reduces the overall weight of the shackle, increases the line of bearing contact between the wire rope and the shackle, and increases the radius of the contact surface, for better utilization of the intrinsic strength of the wire rope.

By creating a specialized shape with the inner radius the equivalent to the diameter of the basic stock size of the shackle, the contact length of the rope bearing surface has been increased by 58%. This increase in bearing or contact length naturally reduces the relative amount of wear on the wire rope or shackle bow by a corresponding amount.

By doubling the radius of the contacting surface this, in effect, means that the contacting wire rope is not bent around as small a radius and it increases the usable rope strength by a factor of 15%.

By utilizing the special shape section, the section modulus is increased by 36% over what the normally-used round bar section would be.

By using a relatively constant cross-sectional thickness and keeping this dimension the same as the normally-used round bar diameter, better metallurgical properties are achieved in the quenched and tempered material to the extent of 6%.

The overall gain by the utilization of the shape section is an increased strength in the bow section of 42% over the conventionally-used round bar diameter section.

Utilizing the special-shaped section and taking advantage of the beforementioned strength increase in the section, achieves a 30-40% weight reduction over the same capacity shackle utilizing a round bar section of the same nominal configuration dimensions.

While the invention has been described with a certain degree of particularity, it is manifest that many changes may be made in the details of construction and the arrangement of components without departing from the

spirit and scope of this disclosure. It is understood that the invention is not limited to the embodiments set forth herein for purposes of exemplification, but is to be limited only by the scope of the attached claim or claims, including the full range of equivalency to which each element thereof is entitled.

I claim:

1. The method of constructing a heavy duty shackle, for use under large loads, such as with anchors, from a selected length of round bar stock of diameter X, comprising the steps of:
 - a. fullering, or reducing the diameter of the end portions of said bar, to a selected length, to a diameter X';
 - b. forging the center portion of diameter X into a broad flat U section, with the bottom surface of the U a portion of a circular cylinder;
 - wherein the radius of said circular cylinder is at least substantially equal to diameter X' and the transverse cross-section approaches approximately constant thickness;
 - c. forging the ends into a section broader than, and thinner than X';
 - d. forging depressions in the two surfaces of said thinner ends, said depressions approximately arcuate, around a central hub;
 - e. forging central depressions on each surface of said end hubs, of diameter smaller than the diameter of the pin to be used in the shackle;
 - f. bending said central portion into an arc, forming an eye, with the arms of a said U section facing outwardly, and providing two parallel ears, the spacing between said ears less than the diameter of said eye, and greater than the dimension of an object to be looped over said shackle;
 - g. drilling openings through said ends concentric with said central depressions; and
 - h. heat treating said shackle.
2. The method as in claim 1 including the additional steps of:
 - a. providing a pin of diameter less than said opening;
 - b. forming a head at one end of said pin;
 - c. forming at least one spur on said head adapted to fit into one of said arcuate depressions; and
 - d. providing means on the second end of said pin to lock it in the openings in said ears.
3. A shackle bow for heavy duty use under large loads, as in anchor lines, comprising:
 - a. a rein section adjacent the two ends of said shackle for a selected length and of diameter X', each said rein section being between a central cylindrical portion and a flattened ear portion;
 - b. said central cylindrical portion being of a broad-ended flattened shape, having a U-shaped cross-section with a circular bottom surface, the radius of said bottom surface being at least substantially equal to X';
 - c. said shackle being in the shape of a bow, with said U-shape of said central cylindrical portion directed outwardly, around a central eye, said ears being substantially parallel, spaced apart a distance less than the diameter of said eye, and having coaxial central openings therein to receive a pin there-through.
4. The shackle bow as in claim 3 including at least one substantially arcuate depression, substantially concentric with said central opening on the outer surfaces of said ears.

5

5. A shackle bow having an approximately circular eye, with two rein sections leading to two substantially parallel ears;

the cross-section of said bow being in the form of a broad flat U section, with the bottom (inner) surface having as large a radius as possible; the thickness of the cross-section of said bow substantially constant;

the cross-section of said rein section approximately circular;

15

20

25

30

35

40

45

50

55

60

65

6

the cross-section of said ears being broad and thin, with aligned central openings, and thick flanges formed by forging central depressions in said ears; said shackle bow being heat treated.

6. The shackle bow as in claim 5 including at least one substantially arcuate depression substantially concentric with said central opening on the outer surfaces of said ears.

7. The shackle bow of claim 5 including a locked pin through said central openings.

.

APPENDIX B

Photograph of Trial Exhibit 173

SCHAEFER
HEADBOARD SHACKLE

NICRO-FICO
STRIP SHACKLE

CROSBY LAUGHLIN
BOOM PENDANT CLEVIS

CROSBY WIDE BODY
SLING SHACKLE

SOVIA GUYLINE SLEEVE

SOWA ANCHOR SHACKLE

SOWA BIG RED
SLING SHACKLE



APPENDIX C

Jury Verdict
dated November 13, 1981

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF OREGON

AMERICAN HOIST & DERRICK CO.,)	
	)	Civil No.
Plaintiff,	)	79-983-PA
)	
v.)	
)	
SOWA & SONS, INC.,)	
)	
Defendant.)	

VERDICT

1. Do you find that claim 3 of the patent is

Valid . [CHECK ONLY ONE]
Invalid X .

2. If you have found that claim 3 of the patent is invalid, then state the reason or reasons why by checking the applicable item(s) below. [DO NOT ANSWER THIS IF YOU FOUND CLAIM 3 VALID]

a. The subject matter of claim 3 would have been obvious to one of ordinary skill in the

9a

art at the time the claimed
invention was made. X

b. Plaintiff committed fraud on
the Patent Office in connec-
tion with claim 3. X

c. James W. Shahan is not the
inventor of calim 3 and the
patent office was inten-
tionally deceived in this
regard.

3. Do you find that claim 5 of the
patent is

Valid .
Invalid X . [CHECK ONLY ONE]

4. If you have found that claim 5 of
the patent is invalid, then state the
reason or reasons why by checking the
applicable item(s) below. [DO NOT ANSWER
THIS IF YOU FOUND CLAIM 5 VALID]

10a

a. The subject matter of claim 5 would have been obvious to one of ordinary skill in the art at the time the claimed invention was made. X

b. Plaintiff committed fraud on the Patent Office in connection with claim 5. X

5. Do you find that claim 7 of the patent is

Valid .

[CHECK ONLY ONE]

Invalid X .

6. If you have found that claim 7 of the patent is invalid, then state the reason or reasons why by checking the applicable item(s) below. [DO NOT ANSWER THIS IF YOU FOUND CLAIM 7 INVALID]

a. The subject matter of claim 7 would have been obvious to one of ordinary skill in the

art at the time the claimed
invention was made. X

b. Plaintiff committed fraud on the Patent Office in connection with claim 7. X

7. Regardless of your previous answers, what is the amount of the profits lost by plaintiff, if any, as the result of defendant's sales of 18 wide-body shackles?

Damages \$ 0.00

Dated the 13 day of November, 1981.

/S/ William L. Elder
Foreperson



APPENDIX D

Opinion and Order of the Trial Court
dated June 29, 1982

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF OREGON

AMERICAN HOIST & DERRICK)	
COMPANY,	)	Civil No.
	)	79-983-PA
)	
Plaintiff,)	
)	
v.)	
)	
SOWA & SONS, INC.,)	
)	
Defendant.)	

OPINION AND ORDER

J. Pierre Kolisch, Esquire
Francine H. Gray, Esquire
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Attorneys for Defendant

PANNER, Judge:

The remaining issue in this patent infringement case is whether defendant is entitled to an award of attorney's fees. A jury found that various claims of AmHoist's "Shahan" patent were invalid. The jury specially found that the subject matter would have been obvious to one of ordinary skill in the art at the time of the claimed invention. The jury concluded that AmHoist committed fraud on the Patent Office in obtaining the patent. I found there to be sufficient evidence to support the jury's findings and accordingly denied plaintiff's motion for judgment notwithstanding the verdict, or alternatively, for a new trial. I further concluded, however, that the degree of fraud was insufficient to support defendant's unfair competition and antitrust claims. I therefore granted plaintiff's

motion for summary judgment on defendant's counterclaims.

I hold that this case is "exceptional" for purposes of an award of attorney's fees and that such an award is appropriate.

DISCUSSION

Congress has provided that courts "in exceptional [patent] cases may award attorney fees to the prevailing party." 35 U.S.C. §285. Congress's intent was not to routinely permit recovery of attorney's fees in patent cases but to allow an award of fees in an extraordinary case to prevent gross injustice. Monolith Portland Midwest v. Kaiser, 407 F.2d 288, 294 (9th Cir. 1969). Even prior to enactment of §285, this circuit cautioned exercise of discretion, concluding that an award of attorney's fees in a patent case should be based

"upon a finding of unfairness or bad faith in the conduct of the losing party, or some other equitable consideration of similar force, which makes it grossly unjust that the winner . . . bear the burden of his own counsel fees"

Park-In-Theatres Inc. v. Perkins, 190 F.2d 137, 142 (9th Cir. 1951).

Here, defendant prevailed on the patent claims. Assuming the case is "exceptional" within the meaning of §285, an award of fees is solely a matter of the court's discretion. E.g., Mayview Corp. v. Rodstein, 620 F.2d 1347, 1357 (9th Cir. 1980); St. Regis Paper Co. v. Royal Industries, 552 F.2d 309, 316 (9th Cir.), cert. denied, 434 U.S. 996 (1977).

Many factors contribute to a finding of "exceptional." E.g., Garbell, Inc. v. Boeing, 546 F.2d 297 (9th Cir. 1976),

cert. denied, 431 U.S. 955 (1977) (bad faith; unreasonable assessment of case; running up expenses); Ashcroft v. Paper Mate Mfg. Co., 434 F.2d 910 (9th Cir. 1970) (willful concealment of interests; unnecessary discovery delay; contempt); Purer & Co. v. Aktiebolaget Addo, 410 F.2d 871 (9th Cir.), cert. denied, 396 U.S. 834 (1969) (fraud; a continuing patent infringement); Monolith Portland Midwest v. Kaiser, supra, (fraud; unduely prolonged litigation). Here, the jury's finding of fraud on the Patent Office is sufficient grounds for finding this case to be exceptional. Contrary to each parties' accusation, I do not find any undue delays or failure to actively pursue the case. Nor do I find any evidence of attorney misconduct, the raising of unnecessary, collateral matters, or

unreasonable refusal by either side to settle the case. While hindsight might indicate that the action should never have been filed, I do not find that the case was brought in bad faith. See Alburger v. Magnaflux Corporation, 444 F.2d 1406 (9th Cir. 1971). Differences of opinion as to patentability usually do not, by themselves, give rise to a finding of "exceptional". Crom Corporation v. Crom, 677 F.2d 48, 51 (9th Cir. 1982).

Fraud on the Patent Office may support a finding of "exceptional" for purposes of §285. In SSP Agricultural v. Orchard-Rite Ltd., 592 F.2d 1096, 1102 (9th Cir. 1979), the court noted that "[b]ad faith, fraud or other significant misconduct 'which would make it grossly unjust for the prevailing party to be left with the burden of his litigation

expenses' is required to make a case 'exceptional,' justifying an award of fees under §285." Citing Garbell, supra. Additionally, the court in W.R. Grace v. Western U.S. Industries, 608 F.2d 1214, 1219 (9th Cir. 1979), cert. denied, 446 F.2d 953 (1980), concluded that "[c]ases involving fraud, . . . or bad faith in dealings with the Patent Office are precisely the 'exceptional' cases for which §285 is designed."

Plaintiff argues that the evidence was insufficient to show wrongfulness, willfulness or bad faith on its part. I implicitly rejected this argument by denying plaintiff's motion for judgment notwithstanding the verdict. Furthermore, several cases hold that conduct short of fraud may support a finding of "exceptional." In Monolith Portland Midwest v.

Kaiser, supra, the court held that an applicant's fraud on the Patent Office was sufficient to convert his later infringement action into an exceptional case within the meaning of §285. The court further noted that "conduct short of fraud and in excess of simple negligence is also an adequate foundation for deciding that a patent action is exceptional." Monolith, supra at 294. Such conduct, the court reasoned, constituted a serious breach of the patentee's duty to the Patent Office. A party who succeeds in invalidating an unlawfully obtained patent performs a valuable public service. An award of attorney's fees rewards such a prevailing party while in the same measure penalizing the wrongdoing patentee. Id.

In Mayview Corporation v. Rodstein, 620 F.2d 1347, 1358 (9th Cir. 1980), the court, relying on Garbell, supra, and Monolith, supra, concluded that "[i]t is true that simple negligence does not constitute an 'exceptional' case and therefore will not support an award of attorney's fees; however, conduct short of fraud and in excess of simple negligence will suffice." The appellate court, unable to determine from the trial court's finding whether patentee's actions rose above simple negligence, remanded for that determination.

In Western Food Equipment Co. v. Foss America, Inc., 205 USPQ 835, 838 (D. Or. 1980), appeal pending, Judge Burns, relying on Monolith, supra, determined that "fraud alone is sufficient to convert the action into an exceptional

case." He also concluded that conduct short of fraud such as a calculated recklessness about the truth which constitutes a serious breach of duty of candor to the Patent Office is sufficient to support a finding of "exceptional."

Western Food, supra at 838.

Plaintiff argues strenuously that Monolith and Western Foods are factually distinguishable. I agree that the wrongful activities described in those two cases were, in some respects, more egregious than in the present case. Nevertheless, I find that the logic and principles invoked in those authorities are persuasive and should be applied to the facts and circumstances here.

A jury determined that AmHoist's patent was invalid. On each claim of the patent in issue, the jury determined that

AmHoist committed fraud on the Patent Office. The fact that a reissue application was allowed by a Patent Office examiner makes this a harder case, but does not remove the finding of fraud by the jury. Similarly, the fact that I found the degree of fraud insufficient under Walker Process Equipment, Inc. v. Food Machinery and Chemical Corp., 382 U.S. 172 (1965), to support the defendant's counterclaims, brings this case closer to the line drawn in Monolith and its progeny.

A patent applicant is under a duty to the Patent Office to make full and fair disclosure of all relevant facts which may affect the patentability of the invention. A breach of that duty hinders the Patent Office in performing its function of preventing the issuance of

unlawful patent monopolies. Monolith,
supra at 294, citing Precision Instrument
Manufacturing Co. v. Automotive Mainte-
nance Machinery Co., 324 U.S. 806 (1945).
As in Monolith, the patentee's breach of
duty found here by a jury affects not
only the validity of the patent but also
my determination of whether the case is
exceptional.

I find that plaintiff's actions taken
to procure its Shahan patent were well
within the range of activities sufficient
to find the ensuing patent infringement
case "exceptional" within the meaning of
§285. A jury properly concluded that
AmHoist committed fraud on the Patent
Office. Even assuming that AmHoist's
conduct was short of fraud, I would find
that it was in excess of simple negli-
gence so as to support a finding of

"exceptional."

I further find that an award of attorney's fees in this case is appropriate. Defendant is a smaller company than plaintiff and enjoyed substantially less of the market share. The amount of potential damages for the alleged infringement was small--a factor which might have counseled Sowa to not undertake the expensive defense of this case. Sowa's success in invalidating an unlawfully obtained patent accrues not only to its interests but also to the public interest. Under these circumstances, I find that it would be unjust for Sowa to bear the expense of its counsel's fees in successfully pursuing this case.

Sowa has submitted a partial summary of its attorney's fees. It will be necessary for Sowa to submit a more complete

accounting of its attorney's fees with supporting affidavits. When an action combines patent and nonpatent claims, no award of fees may be made for the non-patent issues. Monolith, supra at 297. Accordingly, Sowa is directed to segregate out those fees associated with non-patent claims such as its counterclaims for unfair competition and antitrust violations.

Defendant shall have twenty (20) days to submit to the court an accounting of attorney's fees. Plaintiff shall have ten (10) days thereafter to respond, after which time I will determine the appropriate amount of fees and enter judgment.

This opinion shall constitute findings of fact and conclusions of law pursuant to Fed. R. Civ. P. 52(a).

IT IS SO ORDERED.

DATED this 29 day of June, 1982.

/S/ Owen M. Panner

OWEN M. PANNER

United States District Judge

APPENDIX E

Opinion of the Trial Court
dated August 27, 1982

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF OREGON

AMERICAN HOIST & DERRICK)	
COMPANY,)	Civil No.
)	79-983-PA
Plaintiff,)	
)	
v.)	
)	
SOWA & SONS, INC.,)	
)	
Defendant.)	

OPINION

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PANNER, J.

In this patent infringement case, a jury found that various claims of American Hoist & Derrick Company's (AmHoist) "Shahan" patent were invalid. The jury specifically found that the subject matter of the patent would have been obvious to one of ordinary skill in the art at the time of the claimed invention.

Because the issue of obviousness under 35 U.S.C. §103 is one of law rather than of fact, it is incumbent upon the court rather than the jury to make the final determination. Guided by the jury's findings and by the evidence, I hold the Shahan patent to be invalid under §103.

FACTS

At issue is plaintiff AmHoist's "Heavy-Duty Shackle" (Shahan) patent. Plaintiff contends that defendant Sowa

and Sons (Sowa) infringed the patent. Sowa admitted the possible infringement but denied that the patent was valid or enforceable.

A shackle is commonly used for fittings or for connecting together ropes, wires, cables, or chains. The Shahan patent was issued for a U-shaped, heavy-duty shackle with a wide body, a widened central bow portion, relatively narrowed rein portions, and flattened ear portions with central openings. The rein portions are approximately circular in cross-section. The radius of the inner surface of the central bow portion is either equal to or greater than the diameter of the rein portion. Sowa argues that the Shahan shackle construction is a combination patent comprised of features or elements that are recognizable in prior art.

DISCUSSION

A patent is presumed to be valid, 35 U.S.C. §282, and the party challenging its validity carries the burden of demonstrating its invalidity. Saf-Guard Products, Inc. v. Service Parts, Inc., 532 F.2d 1266, 1271 (9th Cir. 1976), cert. denied, 429 U.S. 896 (1976). The presumption disappears, however, when challenged on grounds of "obviousness," 35 U.S.C. §103, if it appears that the holder of the patent failed to disclose to the patent office all relevant prior art. Hewlett-Packard Co. v. Tel-Design, Inc., 460 F.2d 625, 628 (9th Cir. 1972). The patent office is dependent upon the applicant's disclosure of all relevant prior art. When an applicant fails to cite relevant prior art, the patent examiner may well remain unaware and lack

the necessary facts to correctly rule upon the patent issuance. When this occurs, the court is not entitled to rely upon the patent office expertise.

The test for obviousness under § 103 is whether differences between the prior art and the claimed invention would have been obvious to a person reasonably familiar with the pertinent art. Graham v. John Deere Co., 383 U.S. 1, 17-18 (1966). Application of the test requires three factual determinations: (1) the scope and content of the prior art; (2) the level of ordinary skill in the pertinent art; and (3) the differences between the prior art and the subject matter of the patent at issue. Id. at 17.

The scope and content of the prior art consists of prior art cited to the patent office and "new" prior art offered

by the defendant. Defendant cited four items of prior art not considered by the patent office: the Crosby-Laughlin boom pendant clevis Model S-420; the Nicro/Fico strip shackle; the Shaefer Marine head-board shackle; and the Sowa guyline sleeve. The first three have widened central bow portions, relatively narrow rein portions, and considerably larger ear portions. All four are designed, however, for relatively light-duty shackle applications.

Several technical experts testified as to the level of ordinary skill in the art of heavy-duty shackle design. It was agreed that a person of ordinary skill in such a field would be a skilled engineer capable of determining stress requirements, material, and shape designs and would have a high familiarity with the

design, manufacturing, and performance characteristics of various types of rope fittings and fixtures. Additionally, such a person would understand the various interactions between ropes and fittings.

The jury determined that the subject matter of the Shahan patent would have been obvious to one of ordinary skill in the art at the time of the claimed invention. I agree. The only difference other than size between the Shahan design and other cited, prior art is the presence of rein portions of either rectangular (Crosby-Laughlin and Nicro/Fico) or ellipsoidal (Schaefer Marine), rather than circular cross-section. Such circular cross-section design is not new, however, and can be found on the old and well-known anchor shackle design.

Accordingly, I adopt the jury's determination that the Shahan patent did not meet the nonobviousness requirement of patentability found in 35 U.S.C. §103.

This opinion shall constitute findings of fact and conclusions of law pursuant to Fed. R. Civ. P. 52(a).

DATED this 27 day of August, 1982.

/S/ Owen M. Panner
OWEN M. PANNER
United States District Judge



APPENDIX F

Opinion of the Trial Court
dated October 14, 1982

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF OREGON

AMERICAN HOIST & DERRICK)	
COMPANY,)	Civil No.
)	79-983-PA
Plaintiff,)	
)	
v.)	
)	
SOWA & SONS, INC.,)	
)	
Defendant.)	

OPINION AND ORDER

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Attorneys for Defendant

PANNER, J.

In this patent infringement case I have previously adopted the findings of a jury and held that the American Hoist & Derrick Company's (AmHoist) "Shahan" patent was invalid under 35 U.S.C. §103. I also ruled that this case was "exceptional" for purposes of an award of attorney's fees, see 35 U.S.C. §285, and that reasonable fees should be awarded to defendant Sowa & Sons (Sowa) for the work associated with the patent claim. I now hold that the defendant is entitled to reasonable attorney's fees in the amount of \$50,000.00.

BACKGROUND

At issue in this case was plaintiff AmHoist's "Heavy-Duty Shackle," the "Shahan" patent. Plaintiff contended that defendant Sowa infringed the patent. Sowa admitted the possible infringement

but denied that the patent was valid or enforceable. Sowa argued that the "Shahan" shackle construction is a combination patent comprised of features or elements recognizable in prior art and thus not subject to protection under a new patent. Sowa counterclaimed for unfair competition and antitrust violations.

A jury found specially that the subject matter of the "Shahan" patent would have been obvious to one of ordinary skill in the art at the time of the claimed invention. The jury concluded that AmHoist committed fraud on the Patent Office in obtaining the patent. I found sufficient evidence to support the jury's findings and accordingly, denied plaintiff's motion for judgment n.o.v. or for a new trial. I further

concluded that the degree of fraud was insufficient to support defendant's unfair competition and antitrust claims and therefore granted plaintiff's motion for summary judgment on these claims.

I ruled that the jury's finding of fraud on the Patent Office was sufficient grounds for finding this case to be "exceptional" for the purpose of an award of attorney's fees under 35 U.S.C. §285. Because §285 does not mandate an award of attorney's fees but leaves such a determination to the court's discretion, I made the further finding that such an award was appropriate here. However, I held that Sowa was entitled to such an award only for work on the patent claims and not on the counterclaims it pursued. The defendant was directed to segregate out those fees associated with nonpatent

claims and submit a complete accounting of its attorney's fees with supporting affidavits.

DISCUSSION

The court has discretion to determine the amount of reasonable attorney's fees. Manhart v. City of Los Angeles Dep't of Water and Power, 652 F.2d 904, 907 (9th Cir. 1981). The statute here is silent on what is "reasonable," but other courts in other types of cases have enumerated the factors which should be considered. The Ninth Circuit has adopted the twelve factors identified in Johnson v. Georgia Highway Express, Inc., 488 F.2d 714 (5th Cir. 1974). Kerr v. Screen Extras Guild, Inc., 526 F.2d 67, 70 (9th Cir. 1975), cert. denied sub nom, Perkins v. Screen Extras Guild, Inc., 425 U.S. 951 (1976). It is not necessary for the court to

address each factor specifically.

Rivera v. City of Riverside, 679

F.2d 795, 796-97 (9th Cir. 1982). But the court may abuse its discretion if it fails to at least consider the various factors and discuss the relevant ones.

Harmon v. San Diego County, 664 F.2d 770, 772 (9th Cir. 1981); O'Neil v. City of Lake Oswego, 642 F.2d 367, 370 (9th Cir. 1981).

In attorney's fee cases I consider the twelve Johnson factors, as well as a thirteenth -- the attorney's effort to bring the matter to a prompt and reasonable conclusion. Gibson v. Local 40, Civ. No. 68-614-PA (D. Or. May 12, 1981). In this case, as in most, certain factors are most relevant. I find that the time and labor reasonably necessary to successfully defend the patent claims was

from 500 to 800 hours. Appropriate use of paralegal time could have reduced the range to lower figures. This is a reasonable range based on observations during the trial, and a review of the deposition records and the Court's files. This range excludes the nonpatent claims. All the attorneys in the litigation were patent attorneys and the questions involved were neither particularly novel nor difficult. The case was entirely desirable from the standpoint of the defense counsel and did not preclude other employment. There were no significant time limitations imposed by the client or the circumstances. Counsel accepted this case on a fixed fee basis and there was not the risk associated with a contingent fee. The results obtained by defense counsel for their client were beneficial

and could not have been obtained without the litigation. Defense counsel has reasonable experience and ability in the field of patent law. This was counsel's first case for defendant.

Attorney's fee awards in this district since the time this litigation commenced until the present have varied from \$26.00 to \$100.00 per hour with the majority of awards falling in the range of \$50.00 to \$70.00 per hour.

Defense counsel has indicated that billing rates for the various attorneys involved in this case ranged from \$40.00 to \$125.00 per hour, and has requested for defense of the patent infringement claim an attorney's fee award of \$90,367.55, including \$1,760.00 for the work of a Rhode Island law firm in connection with the taking of a deposition.

Defense counsel further requests \$359.00 for preparation of the cost bill and \$1,393.50 for the time involved in seeking attorney's fees, but has segregated out \$15,784.15 for work involved in prosecuting the counterclaims.

I believe the amount requested is too high considering all relevant factors. I find that defendant's attorney is entitled to an award of attorney's fees in the amount of \$50,000.00.

The Clerk of the Court is hereby ORDERED to enter judgment for defendant, plus attorney's fees in the amount of \$50,000.00, and costs.

This opinion shall constitute findings of fact and conclusions of law pursuant to Fed.R.Civ.P. (52(a)).

DATED this 14 day of October, 1982.

/S/ Owen M. Panner
OWEN M. PANNER
United States District Judge

APPENDIX G

Judgment
dated October 19, 1982

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF OREGON

AMERICAN HOIST & DERRICK)	
COMPANY,	)	Civil Action
	)	Plaintiff, File No.
	)	79-983-PA
v.)	
)	
SOWA & SONS, INC.,)	
)	
	)	Defendant.)

JUDGMENT

This action came on for trial before the Court and a jury, Honorable OWEN M. PANNER, United States District Judge, presiding, and the issues having been duly tried and the jury having duly rendered its special verdict,

It is Ordered and Adjudged that plaintiff shall recover nothing and that defendant Sowa & Sons, Inc. shall recover from plaintiff American Hoist & Derrick Company attorney's fees in the amount of \$50,000.00, with interest thereon at the

48a

rate of 10.41% from the date of entry
hereof, and its costs of action.

Dated at Portland, Oregon, this 19th
day of October, 1982.

/S/ Owen M. Panner
UNITED STATES DISTRICT JUDGE



APPENDIX H

Order of U.S. Court of Appeals for the
Federal Circuit denying Petition for
Rehearing dated February 15, 1984

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

AMERICAN HOIST & DERRICK	)	No. 83-555
COMPANY,	)	83-564
Appellant/Cross-Appellee.))	
	)	Dist. Ct.
v.	)	No.
	)	CV 79-983 PA
SOWA & SONS, INC.,)	
Appellee/Cross-Appellant.))	

JUDGMENT

ON APPEAL from the U S District Court of Oregon

This CAUSE having been heard and considered, it is

ORDERED and ADJUDGED: Affirmed in part;
Reversed in part; Vacated in part; and
REMANDED, for a new trial with directions
that the trial be conducted in conform-
ance with attached opinion.

DATED January 12, 1984

ENTERED BY ORDER
OF THE COURT

Petition for Rehearing,
Denied, February 15,
1984, Suggestion for
Rehearing In Banc,
Declined, February 15,
1984.

George E.
Hutchinson,

/S/George E.
Hutchinson

Clerk

ISSUED AS A MANDATE: February 23, 1984



JUN 11 1984

ALEXANDER L. STEVAS
CLERK

NO. 83-1827

IN THE
Supreme Court of the United States
OCTOBER TERM, 1983

SOWA & SONS, INC.,
Petitioner,

v.

AMERICAN HOIST & DERRICK CO.,
Respondent.

On Writ of Certiorari to the United States
Court of Appeals for the Federal Circuit

BRIEF FOR THE RESPONDENT IN OPPOSITION

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QUESTION PRESENTED FOR REVIEW

Whether the court of appeals' determination was correct that fatally defective instructions on the issues of fraud and obviousness mandated reversal of the trial court and remand for a new trial.

II

TABLE OF CONTENTS

	Page
QUESTIONS PRESENTED FOR REVIEW	i
TABLE OF AUTHORITIES	iii
STATEMENT OF THE CASE	1
REASONS WHY THE WRIT SHOULD BE DENIED ..	3
I. THE FEDERAL CIRCUIT HAS NOT CREATED A CONTROVERSY WITH THE NINTH CIR- CUIT WITH RESPECT TO ANTITRUST CLAIMS BASED ON A CLAIM OF FRAUD ON THE PATENT OFFICE	3
II. THE DECISION BELOW IS IN ACCORD WITH 35 U.S.C. § 282 WHICH PLACES THE BURDEN OF PROVING INVALIDITY ON THE PARTY ASSERTING INVALIDITY	6
III. THE DECISION BELOW DOES NOT AFFECT PETITIONER'S RIGHT TO A TRIAL BY JURY	8
CONCLUSION	10
CERTIFICATE OF SERVICE	10

III

TABLE OF AUTHORITIES

CASES	Page
Baumstimler v. Rankin, 677 F.2d 1061 (5th Cir. 1982) . . .	8
Bolt Associates, Inc. v. Rix Industries, 178 U.S.P.Q. 171 (N.D. Cal. 1973)	4
Cataphote Corp. v. DeSoto Chemical Coatings, Inc., 450 F.2d 769 (9th Cir. 1971), cert. denied, 408 U.S. 929 (1972)	4
Chicago Rawhide Manufacturing Co. v. Crane Packing Co., 523 F.2d 452 (7th Cir. 1975), cert. denied, 423 U.S. 1091 (1976)	8
Clipper Express v. Rocky Mountain Motor Tarriff Bureau, Inc., 690 F.2d 1240 (9th Cir. 1982), cert. denied, ____ U.S.____, 103 S.Ct. 1234 (1983)	5
Digital Equipment Corp. v. Diamond, 655 F.2d 701 (1st Cir. 1981)	9
E. I. duPont de Nemours & Co. v. Berkley & Co., 620 F.2d 1247 (8th Cir. 1980)	8
General Communications Engineering, Inc. v. Motorola Com- munications & Electronics, Inc., 421 F. Supp. 274 (N.D. Cal. 1976)	4
General Motors Corp. v. I.T.C., 687 F.2d 476 (C.C.P.A. 1982), cert. denied, ____ U.S.____, 103 S.Ct. 729 (1983)	8
Graham v. John Deere Co., 383 U.S. 1 (1966)	9
Handgards, Inc. v. Ethicon, Inc., 601 F.2d 986 (9th Cir. 1979), cert. denied, 444 U.S. 1025 (1980)	4
Manufacturing Research Corp. v. Graybar Electric Co., 679 F.2d 1355 (11th Cir. 1982)	8
Mayview Corp. v. Rodstein, 620 F.2d 1347 (9th Cir. 1980) Spound v. Mohasco Industries, Inc., 534 F.2d 404 (1st Cir.), cert. denied, 429 U.S. 886 (1976)	4
Tights, Inc. v. Acme-McCrary Corp., 541 F.2d 1047 (4th Cir.), cert. denied, 429 U.S. 980 (1976)	8
Walker Process Equipment, Inc. v. Food Machinery & Chemical Corp., 382 U.S. 172 (1965)	5

STATUTES

35 U.S.C. § 282	6, 7, 8
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NO. 83-1827

IN THE
Supreme Court of the United States
OCTOBER TERM, 1983

SOWA & SONS, INC.,
Petitioner,

v.

AMERICAN HOIST & DERRICK CO.,
Respondent.

**On Writ of Certiorari to the United States
Court of Appeals for the Federal Circuit**

BRIEF FOR THE RESPONDENT IN OPPOSITION

STATEMENT OF THE CASE

Respondent herein corrects the erroneous and incomplete sections of the petition labelled PROCEEDINGS BELOW and STATEMENT OF THE CASE.

Petitioner totally fails to inform this Court that, after Respondent was accused of fraud and antitrust violations, it submitted the Shahan patent to the Patent Office for reissue over all art presented by Petitioner. The reissue

proceeding took place during discovery and trial below. Two of the three claims in suit were allowed over Petitioner's art in the first Office Action. The third claim was allowed after Respondent amended the claim to clarify the meaning of the word "diameter". At the present time, the reissue proceeding on the merits is complete.

Petitioner also fails to inform this Court that the court of appeals affirmed the trial court's dismissal of Petitioner's counterclaims under 15 U.S.C. § 1 and its counterclaims of monopolization and conspiracy to monopolize based on 15 U.S.C. § 2.

Petitioner conveniently neglects to inform this Court that the court of appeals reversed the jury's determination that the Shahan patent was procured by fraud.

Petitioner self-servingly characterizes the Shahan patent as "a simple mechanical patent", (Petition at 2 n.1), undoubtedly in the hope that it could persuade this Court that the invention does not merit a patent. There is little wonder that Petitioner failed to inform this Court that the Patent Office has decided *twice* that the invention of the Shahan patent merits the protection of the Patent Statute.

Petitioner's attempt to interest the Court in this case is based on a misstatement of the court of appeals' holding and a misstatement of the state of the law in the Ninth Circuit (Petition at 10-11).

The court of appeals did not hold that it was error to submit the question of obviousness to the jury in the form of a general verdict. Rather, the court of appeals held that, "Because of erroneous jury *instructions* and because there exist disputed issues of fact, we vacate and

remand for a new trial." *American Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1352 (Fed. Cir. 1984) (hereinafter "*Amhoist*") (emphasis added).

The state of the law in the Ninth Circuit with respect to relevant market as an element of a claim of attempted monopolization is uncertain. The antitrust issues in this case, predicated solely on alleged fraudulent procurement of a patent and attempted enforcement of a patent, can in no way be characterized, as Petitioner does, as "non-patent issues".

Respondent respectfully submits that the petition presents no substantial basis for this Court to review the Federal Circuit's decision.

REASONS WHY THE WRIT SHOULD BE DENIED

I. THE FEDERAL CIRCUIT HAS NOT CREATED A CONTROVERSY WITH THE NINTH CIRCUIT WITH RESPECT TO ANTITRUST CLAIMS BASED ON A CLAIM OF FRAUD ON THE PATENT OFFICE.

An antitrust cause of action predicated solely on attempted enforcement of an invalid patent which was procured by the deliberate and knowing commission of fraud on the Patent Office can hardly be characterized as a cause of action "unrelated to the patent" or a "non-patent issue".

Petitioner admits that the district court "applied long-recognized principles of law in the Ninth Circuit Court of Appeals on both patent and non-patent issues", (Petition at 16), yet fails to account for the fact that the

district court dismissed its antitrust and unfair competition counterclaims on summary judgment. The district court dismissed those claims based on the fact that, as a matter of law, no fraud existed that was material to the issuance of the claims in suit. The Federal Circuit affirmed the district court's dismissal of Petitioner's counterclaim under 15 U.S.C. § 1 and its counterclaim of monopolization and conspiracy to monopolize under 15 U.S.C. § 2 based on the petitioner's refusal to allege and offer evidence on relevant market. It reversed the summary judgment dismissal of the Petitioner's attempt-to-monopolize counterclaim because the Petitioner may have been misled by Ninth Circuit precedent. *Amhoist*, 725 F.2d at 1367.

The Federal Circuit has not *created* a controversy. The controversy existed, and still exists within the Ninth Circuit as to whether proof of relevant market is necessary in an attempt-to-monopolize cause of action. The Ninth Circuit itself has acknowledged that proof of relevant market is essential. *Mayview Corp. v. Rodstein*, 620 F.2d 1347, 1356 (9th Cir. 1980); *Handgards, Inc. v. Ethicon, Inc.*, 601 F.2d 986, 993 n.13 (9th Cir. 1979), *cert. denied*, 444 U.S. 1025 (1980); *Cataphote Corp. v. DeSoto Chemical Coatings, Inc.*, 450 F.2d 769, 772 (9th Cir. 1971), *cert. denied*, 408 U.S. 929 (1972); *Bolt Associates, Inc. v. Rix Industries*, 178 U.S.P.Q. 171, 172 (N.D. Cal. 1973). *See also General Communications Engineering, Inc. v. Motorola Communications & Electronics, Inc.*, 421 F. Supp. 274, 286 (N.D. Cal. 1976), for a history of the erosion of *Lessig v. Tidewater Oil Co.*, 327 F.2d 495 (9th Cir.), *cert. denied*, 377 U.S. 933 (1964).

Review of these cases makes Petitioner's bald statement, that the "Ninth Circuit Court of Appeals has un-

ambiguously and repeatedly held that 'relevant market' is not a necessary element" of § 2 Sherman Act monopolization claims, (Petition at 19), disingenuous, at best. The Ninth Circuit has specifically relied on *Walker Process Equipment, Inc. v. Food Machinery & Chemical Corp.*, 382 U.S. 172 (1965) for the holding that " 'the enforcement of a patent procured by fraud on the Patent office may be violative of § 2 . . . provided the other elements necessary to a § 2 case are present.' " *Clipper Express v. Rocky Mountain Motor Tariff Bureau, Inc.*, 690 F.2d 1240, 1260 (9th Cir. 1982), *cert. denied*, ____U.S.____, 103 S.Ct. 1234 (1983).

Petitioner tells this Court that *Northrop Corp. v. McDonnell Douglas Corp.*, 705 F.2d 1030 (9th Cir. 1983), *M.A.P. Oil Co. v. Texaco, Inc.*, 691 F.2d 1303 (9th Cir. 1982), and *William Inglis & Sons Baking Co. v. ITT Continental Baking Co.*, 668 F.2d 1014 (9th Cir. 1981), unequivocally state that relevant market is not a necessary element in an attempt-to-monopolize case. *Northrup Corp.* actually states:

Although this court has periodically stated that dangerous probability of successful monopolization is also an indispensable element, . . . there is also Ninth Circuit authority for the view that probability of success is merely circumstantial evidence of intent. . . . We need not add further fuel to the controversy by adding our opinion regarding the inquiry's proper significance, because . . . there was sufficient evidence of . . . probability of success to avoid summary judgment.

705 F.2d at 1057-58. This passage hardly represents an unequivocal statement.

M.A.P. Oil Co. actually holds, “While *Lessig* and its progeny do not require proof of market power to establish a claim of intent to monopolize, under the facts of this case we agree with the trial court that failure to define the relevant market was fatal to plaintiffs’ attempt claim.” 691 F.2d at 1309. This passage hardly represents an unequivocal statement that relevant market is not a necessary element of an attempt claim.

William Inglis also recognizes the state of flux in the Ninth Circuit with regard to the necessary elements of an attempted monopolization. 668 F.2d at 1027. In its “current state” the Ninth Circuit recognizes dangerous probability of success as an element of the offense. *Id.* “However, the proper significance of this . . . element ‘has been controversial, even within this circuit.’” *Id.* at 1029.

This is not a case where there has been a “mere joinder of a patent claim in a case whose gravamen is antitrust.” (Petition at 15 n.2). Nor is it a case wherein the court of appeals has created controversy (Petition at 20-21). The petition should therefore be denied.

II. THE DECISION BELOW IS IN ACCORD WITH 35 U.S.C. § 282 WHICH PLACES THE BURDEN OF PROVING INVALIDITY ON THE PARTY ASSERTING INVALIDITY.

Petitioner has totally mischaracterized the Federal Circuit’s opinion with respect to the presumption of validity and the burden of proof.¹ Additionally, it cites cases to

1. Petitioner attempts to influence this Court to grant its requested petition by characterizing the Federal Circuit as having “disrespect” for the opinions of this Court. (Petition at 22 n.3.)

this Court which do not stand for the proposition it sets forth.

In this case, the Federal Circuit held that the burden of proving invalidity always rests on the party asserting invalidity. *Amhoist*, 725 F.2d at 1360. The Federal Circuit has not put an "intolerable burden" on the party asserting invalidity, but has only restated a burden placed upon that party by Congress. 35 U.S.C. § 282. The Federal Circuit acknowledged that, "new prior art not before the PTO may so clearly invalidate a patent that the burden is fully sustained merely by proving its existence and applying the proper law. . . ." *Amhoist*, 725 F.2d at 1359-60. This is in direct contradiction to what Petitioner has stated that the Federal Circuit has done (Petition at 27-28).

Petitioner also cites six cases standing for the proposition that if the most pertinent prior art was not before the patent examiner, the burden of proof shifts to the patentee to establish validity (Petition at 23-24). The *only case* standing for such a proposition is the *only Ninth Circuit case cited*, *Penn International Industries, Inc. v. New World Manufacturing Inc.*, 691 F.2d 1297 (9th Cir. 1982). In none of the other five cases cited by Petitioner did the court of appeals allow the burden of proof to shift to the patentee to prove validity. To state, as Petitioner does, that, "Most of the other circuits"

Such tactics show the total lack of merit of Petitioner's position. Far worse, however, are Petitioner's "quote cropping" tactics. The Petitioner fails to point out that, in the same paragraph quoted by Petitioner, the Federal Circuit criticizes itself (the CCPA) for erring in the use of the term "technical fraud" and adopts the meaning used by the Supreme Court in *Walker Process*.

recognize that the burden of proof shifts to the patentee, is flatly untrue (Petition at 23).²

No conflict with the Constitution exists in this case. The Federal Circuit properly found that the district court erred in placing the burden of proving validity on the patentee and that the error was reversible. The Federal Circuit's opinion does absolutely nothing to emasculate the constitutional standard of invention unless 35 U.S.C. § 282 is unconstitutional—a proposition not advanced by Petitioner in its brief. The Petition should therefore be denied.

III. THE DECISION BELOW DOES NOT AFFECT PETITIONER'S RIGHT TO A TRIAL BY JURY.

The district court's decision was not reversed based on the use of a general verdict rather than special interrogatories. Respondent, as Appellant below, did not seek reversal on that ground. Because Respondent sought a remand for a new trial, it requested that, on remand, special interrogatories be submitted to the jury.

2. The CCPA, First, Fourth, Fifth, Seventh, Eighth and Eleventh Circuits have specifically stated that the burden of proof remains on the party asserting invalidity. *General Motors Corp. v. I.T.C.*, 687 F.2d 476, 482 (C.C.P.A. 1982), cert. denied, ____ U.S. ____, 103 S.Ct. 729 (1983); *Spound v. Mohasco Industries, Inc.*, 534 F.2d 404, 409 (1st Cir.), cert. denied, 429 U.S. 886 (1976); *Tights, Inc. v. Acme-McCrary Corp.*, 541 F.2d 1047, 1053-54 (4th Cir.), cert. denied, 429 U.S. 980 (1976); *Baumstimler v. Rankin*, 677 F.2d 1061, 1066 (5th Cir. 1982); *Chicago Rawhide Manufacturing Co. v. Crane Packing Co.*, 523 F.2d 452, 457-58 (7th Cir. 1975), cert. denied, 423 U.S. 1091 (1976); *E. I. duPont de Nemours & Co. v. Berkley & Co.*, 620 F.2d 1247, 1266 n.30 (8th Cir. 1980); *Manufacturing Research Corp. v. Graybar Electric Co.*, 679 F.2d 1355, 1360-61 (11th Cir. 1982).

The Federal Circuit did not, as Petitioner claims, "hold that it was error to use a general verdict in the instant case." (Petition at p. 32). The Federal Circuit merely held that the instructions given to the jury on the obviousness and fraud issues were fatally defective.

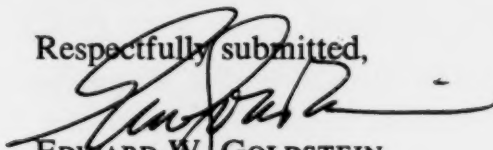
With respect to the instructions to the district court on remand concerning fraud, the jury is to determine the degree of materiality, if any, of certain prior art, and the degree of intent to commit fraud, if any. The Federal Circuit in this case, is commenting on a difficult area of patent law. The Federal Circuit has recognized that fraud on the Patent Office is distinct from common law fraud and requires a careful balancing of materiality and intent. Petitioner does not refute this fact. *Amhoist*, 725 F.2d at 1363-64; *Digital Equipment Corp. v. Diamond*, 655 F.2d 701, 708, 716 (1st Cir. 1981). The Federal Circuit fully considered and correctly decided the fraud issue.

Nevertheless, Petitioner's argument is without merit whether or not the Federal Circuit's pronouncements are correct. Petitioner's right to a jury trial has not been diminished. Nor is the court's weighing of elements found by a jury unprecedented. For example, when juries, by special interrogatories, answer the factual inquiries on obviousness set forth in *Graham v. John Deere Co.*, 383 U.S. 1, 17 (1966), the court, of necessity, weighs those answers in deciding the issue of obviousness. The petition should therefore be denied.

CONCLUSION

For the foregoing reasons, the petition for writ of certiorari should be denied.

Respectfully submitted,



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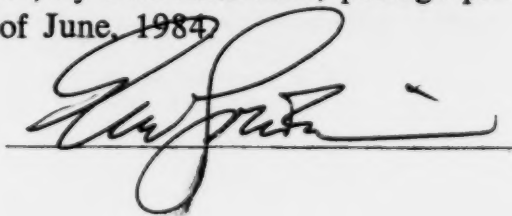
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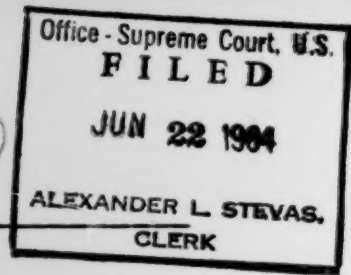
Of Counsel

CERTIFICATE OF SERVICE

This is to certify that three (3) true and correct copies of the foregoing BRIEF FOR RESPONDENT IN OPPOSITION were served on Petitioner's counsel, Daniel P. Chernoff, Chernoff, Vilhauer, McClung, Birdwell & Stenzel, 200 Wilcox Building, Sixth & S.W. Washington, Portland, Oregon 97204, by first class mail, postage prepaid, on this 8th day of June, 1984.



NO. 83-1827



IN THE
SUPREME COURT OF THE UNITED STATES
OCTOBER TERM, 1983

SOWA & SONS, INC.

Petitioner

vs.

AMERICAN HOIST & DERRICK CO.

Respondent

SUPPLEMENTAL APPENDIX TO
PETITION FOR A WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

Of Counsel:

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June 1984

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SUPPLEMENTAL APPENDIX

Opinion of the United States Court
of Appeals for the Federal Circuit



UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

AMERICAN HOIST & DERRICK)	
COMPANY,)	
)	
Plaintiff-Appellant,)	Appeal Nos.
Cross Appellee,)	83-555
)	83-564
v.)	
)	
SOWA & SONS, INC.,)	
)	
Defendant-Appellee,)	
Cross-Appellant.)	

DECIDED: January 12, 1984

Before RICH, Circuit Judge, COWEN,
Senior Circuit Judge, and
KASHIWA, Circuit Judge.

RICH, Circuit Judge.

American Hoist & Derrick Co.

(AmHoist) appeals from the unpublished
decision of the United States District
Court for the District of Oregon holding
for Sowa & Sons, Inc. (Sowa) on AmHoist's

suit for infringement of claims 3, 5, and 7 of its Shahan U.S. Patent No. 4,079,584, issued March 21, 1978, for a "Heavy Duty Shackle." After a two and one-half day jury trial, the jury rendered a verdict for defendant by answering written interrogatories as to two legal issues, stating that each claim in suit was invalid for obviousness and for fraud in the prosecution of those claims in the United States Patent and Trademark Office (PTO).

In three separate opinions, the district court held (1) that it would adopt the jury's determination of obviousness, (2) that there was sufficient evidence to support the jury's "findings" of fraud, and, while the degree of fraud was insufficient to support Sowa's unfair competition and antitrust counterclaims, that it was sufficient to render this an

exceptional case under 35 USC 285 justifying an award to Sowa of its attorney fees, and (3) that Sowa was entitled to \$50,000 in attorney fees rather than the \$90,367.55 requested.

Sowa cross-appeals from the decision of the court granting AmHoist's motion for summary judgment on Sowa's unfair competition and antitrust counterclaims.

Because of erroneous jury instructions, and because there exist disputed issues of fact, we vacate and remand for a new trial. However, we reverse the trial court's determination that the jury could properly have found that no damages were proved, and we affirm in part and reverse in part the decision dismissing Sowa's antitrust and unfair competition counterclaims.

Background

As described in the "ABSTRACT" of the patent in suit, the invention relates to

A heavy duty shackle for use under great loads, such as in anchor lines. The shackle is formed from a cylindrical bar rod by shaping the ends to a reduced diameter, and forging the central portion into a flattened shape having the cross-section of a wide shallow U shape. The bottom surface of the central section is in the form of a portion of a circular cylinder. The ends of the bar are flattened and a central opening is forged and based for a pin. The formed bar is then bent in the form of a bow to provide an eye for the shackle, with two parallel ears spaced a selected distance apart.

Figures 5 and 6 of the patent are reproduced below:

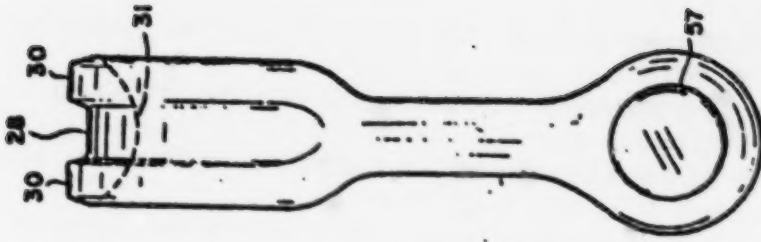


Fig. 6

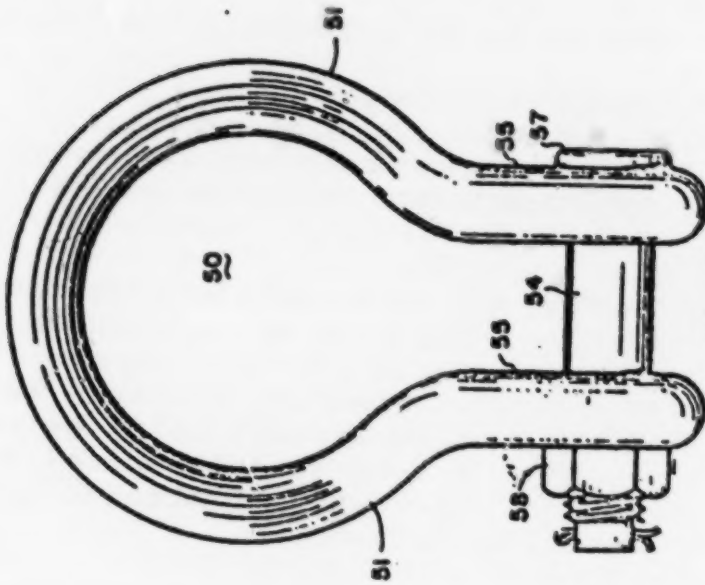


Fig. 5

In Fig. 5, 50 is the "eye" of the shackle, 51 labels the "rein sections," 55 the "ears," and 54 and 57 designate parts of a pin that may be threaded and held on by a nut 58 and/or cotter pin as shown. Fig. 6 shows at 28 a depressed central portion, at 30 flat surfaces, and 31 indicates the cylindrical under surface of the shackle.

Claims 3, 5, and 7, all claims in suit, read as follows:

3. A shackle bow for heavy duty use under large loads, as in anchor lines, comprising:

- a. a rein section adjacent the two ends of said shackle for a selected length and of diameter X' , each said rein section being between a central cylindrical portion and a flattened ear portion;
- b. said central cylindrical portion being of a broadened flattened shape, having a U-shaped cross-section

with a circular bottom surface, the radius of said bottom surface being at least substantially equal to X' ;

- c. said shackle being in the shape of a bow, with said U-shape of said central cylindrical portion directed outwardly, around a central eye, said ears being substantially parallel, spaced apart a distance less than the diameter of said eye, and having coaxial central openings therein to receive a pin therethrough.

5. A shackle bow having an approximately circular eye, with two rein sections leading to two substantially parallel ears;

the cross-section of said bow being in the form of a broad flat U section, with the bottom (inner) surface having as large a radius as possible;

the thickness of the cross-section of said bow substantially constant;

the cross-section of said rein section approximately circular;

the cross-section of said ears
being broad and thin, with
aligned central openings,
and thick flanges formed by
forging central depressions
in said ears;

said shackle bow being heat
treated.

7. The shackle bow of claim 5
including a locked pin through said
central openings.

Defending against AmHoist's suit for
infringement of these claims, Sowa denied
infringement and counterclaimed for a
declaratory judgment of invalidity. Sowa
later brought to AmHoist's attention what
it deemed new prior art, leading AmHoist
to file an application for reissue of its
patent. Sowa then amended its answer and
counterclaimed for damages for unfair
competition and for violation of federal
antitrust law, asserting that AmHoist
committed fraud in the PTO by not

disclosing to the examiner the prior art that Sowa discovered.

Sowa stipulated in a pretrial order that its products infringed the claims in suit, Sowa's counterclaims were severed, and the issue of validity was tried to a jury. The jury returned its answers to two written interrogatories on ultimate legal issues, cf. Fed. R. Civ. P. 49(b), stating that each claim was invalid under 35 USC 103 and for "fraud on the Patent Office."

Shortly after the verdict, the PTO completed examination of the reissue application, allowing claims 1, 2, 5, 6, and 7 without change in the first Office Action. After AmHoist amended claim 3 to clarify the meaning of "diameter," and swore that the mistake in claim 3 occurred without deceptive intent, it too

was allowed, as was claim 4 which had been objected to as depending from a rejected claim.

The district court stated:

Because the issue of obviousness under 35 U.S.C. §103 is one of law rather than of fact, it is incumbent [sic] upon the court rather than the jury to make the final determination. Guided by the jury's findings and by the evidence, I hold the Shahan patent to be invalid under §103.

In reaching its conclusion, the court first noted that because the PTO was not in possession of all "relevant prior art" the 35 USC 282 presumption of validity "disappears" because "the court is not entitled to rely upon the patent office expertise." After setting forth the scope and content of the prior art and stating that testimony of several experts indicated that a person of ordinary skill in the art of heavy-duty shackle design

is "a skilled engineer capable of determining stress requirements, material, and shape designs and would have a high familiarity with the design, manufacturing, and performance characteristics of various types of rope fittings and fixtures," the court concluded a two-page opinion on validity as follows:

The jury determined that the subject matter of the Shahan patent would have been obvious to one of ordinary skill in the art at the time of the claimed invention. I agree. The only difference other than size between the Shahan design and other cited, prior art is the presence of rein portions of either rectangular (Crosby-Laughlin and Nicro/Fico) or ellipsoidal (Schaefer Marine), rather than circular cross-section. Such circular cross-section design is not new, however, and can be found on the old and well-known anchor shackle design.

In another opinion, the court determined this to be an "exceptional case"

within 35 USC 285, although "the degree of fraud was insufficient to support defendant's unfair competition claim":

A jury determined that AmHoist's patent was invalid. On each claim of the patent in issue, the jury determined that AmHoist committed fraud on the Patent Office. The fact that a reissue application was allowed by a Patent Office examiner makes this a harder case, but does not remove the finding of fraud by the jury.* * *.

* * * *

I find that plaintiff's actions taken to procure its Shahan patent were well within the range of activities sufficient to find the ensuing patent infringement case "exceptional" within the meaning of §285. A jury properly concluded that AmHoist committed fraud on the Patent Office. Even assuming that AmHoist's conduct was short of fraud, I would find that it was in excess of simple negligence so as to support a finding of "exceptional."

I further find that an award of attorney's fees in this case is appropriate.

Defendant is a smaller company than plaintiff and enjoyed substantially less of the market share. The amount of potential damages for the alleged infringement was small--a factor which might have counseled Sowa to not undertake the expensive defense of this case. Sowa's success in invalidating an unlawfully obtained patent accrues not only to its interests but also to the public interest. Under these circumstances, I find that it would be unjust for Sowa to bear the expense of its counsel's fees in successfully pursuing this case.

In its final opinion, the district court entered an award of \$50,000 in attorney fees, but "only for work on the patent claims and not on the counter-claims [Sowa] pursued." Sowa had requested \$90,367.55, but the court believed that to be "too high considering all relevant factors."

Argument on Appeal

AmHoist argues that the court erred in submitting the fraud issue to the jury because there was no evidence of bad faith and intent to deceive the examiner or gross negligence representing such reckless disregard for the truth as to be tantamount to bad faith, and because there was insufficient evidence to show materiality of the undisclosed art by clear, unequivocal and convincing evidence; that the award of attorney fees based on the jury's finding of fraud must also be reversed; and that the jury's finding that AmHoist suffered no damage as a result of Sowa's admitted infringement must also be reversed because AmHoist's evidence as to damages was uncontroverted except as to calculation of profit from lost sales.

With respect to jury instructions, AmHoist argues that the court erred: in instructing the jury that AmHoist, the patentee, had the burden of proving nonobviousness if Sowa introduced at trial art more pertinent than the art cited by the examiner; in refusing to instruct the jury on the effect of the reissue proceedings on the quantum of proof necessary for Sowa to prove obviousness; in refusing to submit the factual inquiries underlying 35 USC 103 to the jury in the form of special interrogatories under Fed. R. Civ. P. 49; and in instructing the jury that the invention described in AmHoist's patent must produce new and unexpected results to be considered nonobvious.

With respect to AmHoist's allegation that the court erred in submitting the

fraud issue to the jury, Sowa responds that there was substantial evidence of fraud upon which the jury could have relied. Sowa also submits that the jury could have properly found, as it did, that AmHoist failed to establish any lost profits on the sale by Sowa of the accused shackles.

With respect to AmHoist's assertion that the court erred in instructing the jury that AmHoist bore the burden of proving nonobviousness, Sowa argues: (1) that AmHoist did not object to the instruction in question, see Fed. R. Civ. P. 51; (2) that the instruction was clearly in conformity with the law of the circuit in which the case was tried; (3) that, even if it was error to give the instruction in question, that error was

harmless because there is another, independent ground upon which the judgment of the lower court was based, namely, that the claims in suit were obtained by fraud; and (4) that aside from the propriety of the instruction, independent review of the record by this court (it being asserted by Sowa that there is no dispute as to the underlying facts) will disclose that the claims are invalid under 35 USC 103. However, Sowa's assertion that the underlying facts are undisputed is itself the subject of dispute.

AmHoist replies that it complied with Fed. R. Civ. P. 51 by submitting requested jury instructions and verdict forms placing the burden of proving obviousness on Sowa, and that it was not required to object at all to an instruction which

properly set forth the law of the Ninth Circuit.

OPINION

While we regret having to order a new trial before an already overburdened district court, a new trial is mandated, and this case is a good illustration of the difficulties inherent, generally, in the use of juries to resolve patent disputes and, specifically, in allowing the use in such cases of general verdict forms unaccompanied by interrogatories on the controlling facts.

The verdict returned by the jury is reproduced in full below:

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF OREGON

AMERICAN HOIST & DERRICK CO.,)	
	)	Civil No.
Plaintiff,	)	79-983-PA
)	
v.)	
)	
SOWA & SONS, INC.,)	
)	
Defendant.)	

VERDICT

1. Do you find that claim 3 of the patent is

Valid . [CHECK ONLY ONE]
Invalid X .

2. If you have found that claim 3 of the patent is invalid, then state the reason or reasons why by checking the applicable item(s) below. [DO NOT ANSWER THIS IF YOU FOUND CLAIM 3 VALID]

a. The subject matter of claim 3 would have been obvious to one of ordinary skill in the

19a

art at the time the claimed
invention was made. X

b. Plaintiff committed fraud on
the Patent Office in connec-
tion with claim 3. X

c. James W. Shahan is not the
inventor of calim 3 and the
patent office was inten-
tionally deceived in this
regard.

3. Do you find that claim 5 of the
patent is

Valid . [CHECK ONLY ONE]
Invalid X .

4. If you have found that claim 5 of
the patent is invalid, then state the
reason or reasons why by checking the
applicable item(s) below. [DO NOT ANSWER
THIS IF YOU FOUND CLAIM 5 VALID]

a. The subject matter of claim 5 would have been obvious to one of ordinary skill in the art at the time the claimed invention was made. X

b. Plaintiff committed fraud on the Patent Office in connection with claim 5. X

5. Do you find that claim 7 of the patent is

Valid .

[CHECK ONLY ONE]

Invalid X .

6. If you have found that claim 7 of the patent is invalid, then state the reason or reasons why by checking the applicable item(s) below. [DO NOT ANSWER THIS IF YOU FOUND CLAIM 7 INVALID]

a. The subject matter of claim 7 would have been obvious to one of ordinary skill in the

art at the time the claimed
invention was made. X

b. Plaintiff committed fraud on
the Patent Office in connec-
tion with claim 7. X

7. Regardless of your previous
answers, what is the amount of the pro-
fits lost by plaintiff, if any, as the
result of defendant's sales of 18 wide-
body shackles?

Damages \$ 0.00 .

Dated the 13 day of November, 1981.

 /S/ William L. Elder
Foreperson

Before the jurors retired to reach this verdict, the trial court read to them twenty-six pages of instructions. AmHoist urges reversal on the ground that several of those instructions were erroneous. On consideration of those instructions, in light of all the instructions given, we are constrained to agree.

1. 35 USC 282

With respect to the burden of proof, the court instructed the jury as follows:

If you find the prior art references which defendant has cited are no more pertinent than the art utilized by the examiner when examining the Shahan patent[,] then defendant has the burden of establishing obviousness by "clear and convincing evidence." If, on the other hand, you find any of the prior art references which defendant has cited are more pertinent than the art utilized by the examiner when examining the Shahan patent, then that presumption of validity disappears as to that

issue of obviousness and the plaintiff has the burden of proof by a preponderance of the evidence. [Emphasis ours.]

That instruction was erroneous in two respects. First, it misassigned the burden of proof. The final sentence of 35 USC 282 mandates that "The burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity." Precedent adopted by this court pursuant to South Corp. v. United States, 690 F.2d 1368, 1369, 215 USPQ 657, 658 (Fed. Cir. 1982), declares that burden to be permanent, emphasizing that §282

* * *mandates not only a presumption shifting the burden of going forward in a purely procedural sense, but also places the burden of persuasion on the party who asserts that the patent is invalid. To speak of the presumption as "no longer attaching" is to risk a

concomitant, and unspoken, assumption that the burden of persuasion is thereafter no longer upon him who asserts invalidity. That view is contrary to the meaning of §282, for the burden of persuasion is and remains always upon the party asserting invalidity, whether the most pertinent prior art was or was not considered by the examiner. [Emphasis ours.]

Solder Removal Co. v. U.S. International Trade Commission, 582 F.2d 628, 632-33, 199 USPQ 129, 133 (CCPA 1978) (footnotes omitted).^{1/} SSIH Equipment, S.A. v. U.S.

^{1/} AmHoist's proposed instructions, Sowa's proposed instructions, and the initial jury instructions proposed to the parties by the court all contained an instruction on the burden of proof that was in accord with Solder Removal, and with 35 USC 282. It was changed at conference on the urging of counsel for Sowa, who had reversed course in "DEFENDANT'S OBJECTIONS TO PLAINTIFF'S REQUESTED JURY INSTRUCTIONS" and "DEFENDANT'S OBJECTIONS TO PLAINTIFF'S VERDICT FORMS AND AMENDED JURY INSTRUCTIONS." The change of heart and decision to argue that AmHoist had the

International Trade Comm., 718 F.2d 365, 375, 218 USPQ 678, 687 (1983). On this point we, like the CCPA, disagree with the Ninth Circuit position stated in Tveter, supra note 1, which was that because the examiner did not have certain prior art patents before him when examining the application for the patent in suit, which patents were closer art than he cited, the burden of proving non-

1/ (cont.)

burden of proof were apparently precipitated by Sowa's discovery of Tveter v. AB Turn-O-Matic, 633 F.2d 831, 833, 209 USPQ 22, 25 (9th Cir. 1980).

Sowa argues that AmHoist may not complain of this erroneous instruction because its attorney did not formally object when asked if anyone had "a problem" with it. At that same in-chambers discussion of the court's proposed jury instructions, however, when confronted with Sowa's citation and reliance on Tveter, he indicated that AmHoist would "yield to the Ninth Circuit law." See Fed. R. Civ. P. 46.

obviousness was on the patentee. Our position is that this is never so because it would be contrary to the statute.

The second and more general error in the above jury instruction was that it failed to explain accurately the "presumption of validity," which is not surprising. The prevailing confusion in the cases over its meaning and effect has been engendered by assertions that under some circumstances the presumption is retained and under others it is destroyed, or that the presumption is strengthened or weakened, as a result of which, it has been said, the burden of proof shifts from one party to another or the standard of proof changes.

The presumption was, originally, the creation of the courts and was a part of the judge-made body of patent law when

the Patent Act of 1952 was written. That act, for the first time, made it statutory in §282, first paragraph, which, before the amendments of 1965 and 1975, was of the utmost simplicity. It read:

A patent shall be presumed valid. The burden of establishing invalidity of a patent shall rest on the party asserting it.

The reviser's note to that section simply said:

The first paragraph declares the existing presumption of validity of patents.

This was a codification of sorts, replacing the morass of case law with one simple statutory declaration. The Commentary on the New Patent Act by P. J. Federico, principal author of the act, published in 35 USCA, page 54, expands somewhat on the reviser's note, saying:

The first paragraph of section 282 declares that a patent shall be presumed valid and that the burden of establishing invalidity of a patent shall rest on a party asserting it. That a patent is presumed valid was the law prior to the new statute, but it was not expressed in the old statute. The statement of the presumption in the statute should give it greater dignity and effectiveness.

The named author of this opinion, who also worked on the 1952 act with Mr. Federico, explained it to the New York Patent Law Association on November 6, 1952 (in a speech of limited publication) in these words:

Section 282 puts into the statute the presumption of validity for the benefit of those cynical judges who now say the presumption is the other way around.

In short, in 1952 the case law was far from consistent--even contradictory--about the presumption and, absent

statutory restraint, judges were free to express their individual views about it. Behind it all, of course, was the basic proposition that a government agency such as the then Patent Office was presumed to do its job. Morgan v. Daniels, 153 U.S. 120, 125 (1894). On the burden of persuasion in the facts of such a presumption, long before enactment of the present statute, the Supreme Court reviewed the situation in Radio Corp. v. Radio Laboratories, 293 U.S. 1 (1934), noting (p. 7) that the force of the presumption "has found varying expression in this and other courts." Justice Cardozo, after reviewing a variety of expressions of the standard of proof required to overcome the presumption of validity and while noting that "Gradations of difference so subtle are not susceptible of pursuit

without leading us into a land of shadows," concluded (p. 8):

Through all the verbal variances, however, there runs this common core of thought and truth, that one otherwise an infringer who assails the validity of a patent fair upon its face bears a heavy burden of persuasion, and fails unless his evidence has more than a dubious preponderance.

The two sentences of the original §282, which, though added to, have not been changed, amount in substance to different statements of the same thing: the burden is on the attacker. And, as this court has been saying in other cases, that burden never shifts. The only question to be decided is whether the attacker is successful. When no prior art other than that which was considered by the PTO examiner is relied on by the attacker, he has the added burden of overcoming the deference that is due to a

qualified government agency presumed to have properly done its job, which includes one or more examiners who are assumed to have some expertise in interpreting the references and to be familiar from their work with the level of skill in the art and whose duty it is to issue only valid patents. In some cases a PTO board of appeals may have approved the issuance of the patent.

When an attacker, in sustaining the burden imposed by §282, produces prior art or other evidence not considered in the PTO, there is, however, no reason to defer to the PTO so far as its effect on validity is concerned. Indeed, new prior art not before the PTO may so clearly invalidate a patent that the burden is fully sustained merely by proving its existence and applying the proper law;

but that has no effect on the presumption or on who has the burden of proof. They are static and in reality different expressions of the same thing--a single hurdle to be cleared. Neither does the standard of proof change; it must be by clear and convincing evidence or its equivalent, by whatever form of words it may be expressed. See Radio Corp., supra. What the production of new prior art or other invalidating evidence not before the PTO does is to eliminate, or at least reduce, the element of deference due the PTO, thereby partially, if not wholly, discharging the attacker's burden, but neither shifting nor lightening it or changing the standard of proof. When an attacker simply goes over the same ground travelled by the PTO, part of the burden is to show that the PTO was

wrong in its decision to grant the patent. When new evidence touching validity of the patent not considered by the PTO is relied on, the tribunal considering it is not faced with having to disagree with the PTO or with deferring to its judgment or with taking its expertise into account. The evidence may, therefore, carry more weight and go further toward sustaining the attacker's unchanging burden.

To summarize on this point, §282 creates a presumption that a patent is valid and imposes the burden of proving invalidity on the attacker. That burden is constant and never changes and is to convince the court of invalidity by clear evidence. Deference is due the Patent and Trademark Office decision to issue the patent with respect to evidence bearing on validity which it considered

but no such deference is due with respect to evidence it did not consider. All evidence bearing on the validity issue, whether considered by the PTO or not, is to be taken into account by the tribunal in which validity is attacked.

2. 35 USC 103

In ending its jury charge on the §103 nonobviousness requirement, the court said:

You must next determine whether the differences between plaintiff's claimed invention and the prior art, if any, and as you have found them to be, produce a new and unexpected result. That is, you must determine whether the elements making up plaintiff's claimed invention combine so as to perform in some way or manner, a new and unexpected function in combination than they perform separately. The reason for this is that a patented invention which unites only old elements without producing either a new and unexpected

result merely withdraws from the public's use that which was known before.

Instructing a jury that the presence of such a "new and unexpected function in combination" is a requirement of patentability--and reasoning that were the law otherwise a claimed combination of old elements would "merely [withdraw] from the public's use that which was known before"--is wholly erroneous.

While the existence of a new and unexpected result or function or a so-called "synergistic" effect may support a holding of nonobviousness, e.g., Clark Equipment Co. v. Keller, 570 F.2d 778, 789, 197 USPQ 209, 217 (8th Cir. 1978) ("in the patent law context, 'synergism' has no talismanic power; 'synergism' is merely one indication of nonobviousness"), our predecessor courts have considered

and rejected the notion that a new result or function or synergism is a requirement of patentability. It was emphasized that "under this standard * * * one would focus solely on the product created rather than on the obviousness or nonobviousness of its creation, as required under §103." General Motors Corp. v. U.S. International Trade Commission, 687 F.2d 476, 482-83, 215 USPQ 484, 489 (CCPA 1982). See In re Spinnoble, 405 F.2d 578, 585, 160 USPQ 237, 243 (CCPA 1969) ("A patentable invention * * * may result even if the inventor has, in effect, merely combined features, old in the art, for their known purpose, without producing anything beyond the results inherent in their use."); Bowser, Inc. v. United States, 388 F.2d 346, 349-350; 56 USPQ 406, 409 (Ct. Cl. 1967). We agree with

the Seventh Circuit's analysis of the "fundamental flaws" in the theory that synergism is essential to patentability. Republic Industries, Inc. v. Schlage Lock Co., 592 F.2d 963, 967-72, 200 USPQ 769, 774-79 (7th Cir. 1979). See Stratoflex, Inc. v. Aeroquip Corp., 713 F.2d 1530, 218 USPQ 871 (Fed Cir. 1983).

We also agree with AmHoist that the district court should have submitted to the jury the factual inquiries underlying a §103 determination in the form of special interrogatories. Fed. R. Civ. P. 49. While the form of jury verdict is normally a matter of discretion with the trial court, one court has noted that the "failure to utilize this method in a patent case places a heavy burden of convincing the reviewing court that the trial judge did not abuse his discretion."

Baumstimler v. Rankin, 677 F.2d 1061, 1071-72, 215 USPQ 575, 584 (5th Cir. 1982). See especially part "III. Cleaning out the Well."

The use of special interrogatories, as noted by the Fifth Circuit, id., facilitates appellate review (and review by the trial court on any motion for judgment notwithstanding the verdict), for such use frees the court from having to survey every possible basis for the jury's decision. Cf. E.I. du Pont de Nemours & Co. v. Berkley and Co., 620 F.2d 1247, 1256 n.5, 205 USPQ 1, 7 n.5 (8th Cir. 1980). Utilization of that verdict form may also help avoid lengthy retrials, e.g., by demonstrating in a particular case that implementation of the harmless error standard is appropriate. 28 USC 2111 (1982). See Brown,

Federal Special Verdicts: The Doubt
Eliminator, 44 F.R.D. 338 (1967);
Comment, Special Verdicts: Rule 49 of
the Federal Rules of Civil Procedure, 74
Yale L. J. 483 (1965).

Additionally, the use of special interrogatories "accords with the inherent divisional lines between the roles of judge and jury, the boundaries of which are so easily transgressed in patent cases tried to juries."
Baumstimler, supra at 1071, 215 USPQ at 583. In this case, the district court began its opinion on whether Sowa had met its burden of demonstrating the Shahan patent to be invalid by noting that, "Because the issue of obviousness under 35 U.S.C. §103 is one of law rather than of fact, it is incumbent [sic] upon the court rather than the jury to make the

final determination." "Guided by the jury's findings and by the evidence [emphasis added]," the court held the claims invalid.

There were no express findings, however, by which the district court could have been guided, nor were the "findings" of the jury reexamined by the court, in writing, under the appropriate standard on AmHoist's motion for judgment n.o.v. Cf. Control Components, Inc. v. Valtek, Inc., 609 F.2d 763, 768-69, 204 USPQ 785, 789-90 (5th Cir. 1980) (Court's "independent review of the record discloses competent substantial evidence to support the jury's findings on the factual inquiries underlying the determination of validity."). Further, the district court apparently set forth its own findings of fact with respect to the

scope and content of the prior art, the level of ordinary skill in the art, and the differences between the claimed invention and the prior art.

In performing its role with respect to §103, we assume that the district court recognized that it had no express findings of fact on which to base its legal conclusion. A district court may not solicit only a legal conclusion from the jury and then act as factfinder preliminary to expressing agreement with its legal determination.

After the jury returned its verdict in favor of Sowa, the court ordered each side to submit proposed findings of fact, conclusions of law, and judgment within ten days. After expressing its agreement with the jury's conclusion on obviousness, which is a conclusion of law, the court

stated: "This opinion shall constitute findings of fact and conclusions of law pursuant to Fed. R. Civ. P. 52(a)." The court seems to have turned the respective roles of judge and jury upside down. We caution that the role of the jury as fact-finder must not be usurped. By its terms, Rule 52, titled "Findings by the Court," applies only to "actions tried upon the facts without a jury or with an advisory jury."

3. Fraud in the PTO

On the fraud issue, the court instructed the jury that

* * * the law imposes upon an applicant for a patent and the applicant's attorney, an uncompromising duty to be completely candid and to fully disclose all pertinent facts which may affect the decision that the patent examiner has to make on the question of whether to grant a patent. [Emphasis ours.]

The court continued:

If an applicant intentionally and fraudulently withholds any information or makes fraudulent representations to the Patent Office [sic, PTO] which are false and have a material influence upon the examiner in deciding the question of whether to grant a patent on the invention the patent is not enforceable. A good faith mistake does not constitute fraud. [Emphasis ours.]

The jury was also instructed that:

The applicant's duty to disclose all facts pertinent to the prosecution of an application requires disclosure to the [PTO] of all pertinent prior art or other pertinent information of which applicant is aware or reasonably should be aware. [Emphasis ours.]

The above instructions are defective both with respect to what was stated and by reason of what was not stated.

It is not correct to instruct a jury that an applicant for patent must "fully disclose all pertinent facts which may

affect the decision" of the PTO. Such instruction is broad enough to include information which might persuade the examiner to allow claims, as opposed to rejecting them.

Further, a jury should not be given instructions on "fraud in the PTO" that utilize phrases like "fraudulently withholds any information," or "makes fraudulent representations * * * which are false." Such instructions do not aid the jury in understanding "fraud," do not direct the jury to the relevant factual inquiries, and can only cause mental confusion.

Reverting to the court's recitation of a "duty to disclose all facts pertinent to the prosecution of a application," it is also clear that an applicant for patent is under no obligation to disclose

"all pertinent prior art or other pertinent information" of which he is aware. Digital Equipment Corp. v. Diamond, 653 F.2d 701, 716, 210 USPQ 521, 538 (1st Cir. 1981) ("It is not enough that the information be simply 'relevant' in some general sense to the subject matter of the claimed invention, or even to the invention's patentability."). Nor does an applicant for patent, who has no duty to conduct a prior art search, have an obligation to disclose any art of which, in the court's words, he "reasonably should be aware." The former portion of the court's instruction ignores the requirement of materiality and the latter portion overlooks the intent requirement.

It has been noted that courts have utilized at least three distinct orders of materiality: (1) an objective "but

for" standard; (2) a subjective "but for" standard; and, (3) a "but it may have" standard. E.g., Plastic Container Corp. v. Continental Plastics of Oklahoma, Inc., 607 F.2d 885, 899, 203 USPQ 27, 38-39 (10th Cir. 1979); Gemveto Jewelry Co. v. Lambert Bros., Inc., 542 F. Supp. 933, 939-40, 216 USPQ 976, 981 (SD NY 1982). Criterion (3) endorses inquiry into whether the involved facts "might reasonably have affected the examiner's decision as to patentability." Gemveto Jewelry, supra.

Although strikingly similar to the "but it may have" guideline, there is yet another and official "standard." PTO Rule 1.56(a), explains materiality. It says that information "is material where there is [1] a substantial likelihood that [2] a reasonable examiner [3] would

consider it important [4] in deciding
whether to allow the application to issue
as a patent."^{2/} (Emphasis ours.) 37
CFR 1.56(a), third sentence (1983).

The PTO "standard" is an appropriate
starting point for any discussion of
materiality, for it appears to be the
broadest, thus encompassing the others,
and because that materiality boundary

^{2/}As opposed to regarding this definition
as merely referencing the allowance of
any claims, we interpret "allow the
application" to mean substantially "as
is" when the conduct in question
occurred, thus including material and
significant matters of claim scope. Of
course, as previously noted, fraud, and
thus materiality, are relevant only to
information that might prevent claims
from being allowed.

We also emphasize that the pertinent
inquiry is not whether a reasonable
examiner would want to be aware of a
particular thing, but whether, after
he was aware of it, he would "consider
it important" in deciding whether to
reject one or more claims.

most closely aligns with how one ought to conduct business with the PTO. There is no reason, however, to be bound by any single standard, for the answer to any inquiry into fraud in the PTO does not begin and end with materiality, nor can materiality be said to be unconnected to other considerations:

Questions of "materiality" and "culpability" are often interrelated and intertwined, so that a lesser showing of the materiality of the withheld information may suffice when an intentional scheme to defraud is established, whereas a greater showing of the materiality of withheld information would necessarily create an inference that its nondisclosure was "wrongful." [Digital Equipment Corp. v. Diamond, supra at 716, 210 USPQ at 538.]

Thus, for example, where an objective "but for" inquiry is satisfied under the appropriate standard of proof, and although one is not necessarily grossly

negligent in failing to anticipate judicial resolution of validity, a lesser showing of facts from which intent can be inferred may be sufficient to justify holding the patent invalid or unenforceable, in whole or in part. Conversely, where it is demonstrated that a reasonable examiner would merely have considered particular information to be important but not crucial to his decision not to reject, a showing of facts which would indicate something more than gross negligence or recklessness may be required, and good faith judgment or honest mistake might well be a sufficient defense.

In this case, the court should have instructed the jury that it was to determine the pertinency of the withheld information, which is a question of fact. In light of that pertinency, it could

then have resolved the question of materiality and the degree thereof.

Jury instructions must be confined to the issues as presented by the pleadings and evidence. Thus, because there was no testimony by the examiner who passed the application to issue,^{3/} the jury might here have been instructed as to the PTO Rule 1.56 materiality standard, the "but it may have" standard, or the objective "but for" standard.^{4/}

^{3/} In light of this fact, it was error to instruct the jury that the withheld or misrepresented information must "have a material influence upon the examiner."

^{4/} Resolution of the "subjective but for" test is clearly factual, requiring as it does the testimony of the involved examiner with respect to the influential effect of the omitted or misrepresented information. We caution, however, that while resolution of the "but it may have" inquiry seems primarily factual, as the answer will likely depend upon the determination of pertinency, that

The jury must also determine how convincing has been the proof of intent, if at all. It should, therefore, be instructed that it may find a showing on this element to be lacking entirely or that it may find intent to have been shown by any relevant degree of proof-- from inference to direct evidence, i.e., from gross negligence or recklessness to a deliberate scheming.

The considerations here are distinct from fraud as a common law cause of action. In the latter instance, it is usual that a jury can render a verdict

4/ (cont.)

answer nevertheless represents a legal conclusion. It is not a finding as to the existence of a certain thing, event, act, condition, etc. In contrast, the determination of materiality in a common law cause for deceit, like the PTO definition, normally ends with an objective finding of "importance," without resort to further "tests."

for plaintiff by answering affirmatively the factual questions of (1) knowing (2) misrepresentation or omission (3) of a material ("important" or "inducing") fact, (4) intent and (5) reliance by the party deceived (6) to his damage. It need only answer "yes" to these fact questions to find fraud.

Here, however, because an applicant's misrepresentation or failure to meet his "duty to disclose to the Office information * * * which is material" will not in itself render a patent invalid or unenforceable, see 37 CFR 1.56(a) and (d), "fraud" may be determined only by a careful balancing of intent in light of materiality. The result of that balancing is obviously not a fact that may be found to exist or not, nor is it a mere matter of application of

the law to the facts, both normal jury functions. It requires that judicial discretion be brought to bear, and the district court shall decide it.^{5/}

Sowa argues that AmHoist may not complain of the court's instructions on materiality, for it lodged no objection below. While we recognize that "fraud in the PTO" is an area of law fraught with confusion and contradiction, to allow a jury verdict of fraud to stand on these instructions would be a great injustice. Additionally, and although mindful of the

^{5/}No question of "unenforceability" has been raised and, thus, we leave for another day discussion of the distinction between invalidating fraud and unenforceability. See, e.g., In re Multidistrict Litigation Involving Frost Patent, 398 F. Supp. 1353, 1367-68, 185 USPQ 729, 740-41 (D. Del. 1975), modified, 540 F.2d 601, 191 USPQ 241 (3d Cir. 1976) (patent held unenforceable in part).

sometime tactic of counsel making a conscious decision not to object to an instruction known to be erroneous, thus allowing to stand, for purposes of appeal, an error that might warrant a new trial, we nevertheless would "reverse on the ground of plain error in a jury charge that was not objected to [because] such is necessary to correct a fundamental error." E.g. Cohen v. Franchard Corp., 478 F.2d 115, 124 (2d Cir.), cert. denied, 414 U.S. 857 (1973). See 5A Moore's Federal Practice 51.04, at 51-18 (1982); 1 Devitt and Blackmar, Federal Jury Practice and Instructions ¶7.03, at 218-23 (1977).

4. The Reissue Proceeding

As earlier noted, AmHoist also contends that the district court erred in refusing to instruct the jury on the

effect of the reissue proceedings "on Sowa's burden of proof on the issue of obviousness." Sowa counters that "at the time this case was presented to the jury the Shahan reissue application was still pending as AmHoist had been required by the PTO to submit a new oath because the previously submitted oath failed to state that the applicant had claimed more than it was entitled to."6/

Thus, Sowa argues that "the district court properly refused to apply the presumption of validity to a pending reissue application." As the point is now moot, we need not decide the question.

6/ Apparently, the reissue application was filed pursuant to 37 CFR 1.175(a)(4), now repealed. Thus, on making any amendment, AmHoist was required to submit a new oath. See In re Dien, 680 F.2d 151, 214 USPQ 10 (CCPA 1982).

Should the case be tried again to a jury, however, it is clearly appropriate that the jury be instructed that because the PTO has now held the claims in suit patentable in light of the additional art discovered by Sowa, its burden of proof of unpatentability has become more difficult to sustain--a fact likewise to be taken into account by the trial judge. With respect to the "fraud" issue, it is also manifest that the decision of the PTO may have an effect on determining the degree of materiality of the involved prior art under the standards previously discussed.

AmHoist asks for guidance regarding an appropriate instruction on the effect of reissue. Other than the consequences just noted, we perceive no further impact on instructing a future jury in this case.

5. The Damages Issue

Finally, AmHoist argues that the jury's verdict of no damages is contrary to the weight of the evidence. We agree. Uncontroverted testimony indicate that both AmHoist and Sowa bid on a contract for the sale of twelve shackles falling within a scope of the claims and that Sowa was the successful bidder.

Sowa responds that "the jury's finding of zero dollars in lost profits was dictated by AmHoist's failure to submit adequate and credible evidence to demonstrate that, but for the infringement, AmHoist would have made the sales of shackles which Sowa made." Specifically, Sowa cites AmHoist's failure to introduce evidence that AmHoist was second to Sowa in the bidding or that

"there were not completely acceptable noninfringing substitutes."

Regarding the argument on non-infringing substitutes, we agree with contentions in AmHoist's reply brief:

It is uncontradicted, either at trial or in Sowa's brief, that International Rope and Supply requested Sowa to supply them with an AmHoist shackle. It is uncontradicted that Sowa did just that. There certainly exists a reasonable probability that, had Sowa not infringed AmHoist's patent, and had Sowa refused to supply International Rope with an AmHoist shackle, that International Rope would have bought that shackle from AmHoist.

As noted by the Tenth Circuit in Milgo Electronic Corp. v. United Business Communications, Inc., 623 F.2d 645, 663, 206 USPQ 481, 495 (10th Cir.), cert. denied, 449 U.S. 1066 (1980):

* * * the "but for" rule necessarily expresses an hypothesis. Neither the trial court nor the

appellate court can demand absolute proof that purchasers of the infringing product would have bought the patent-holder's product instead. It is impossible and therefore unnecessary for the patent-holder to negate every possibility that the purchasers might not have bought another product.

Additionally, we note that the jury was not instructed at all, other than by several references to "actual loss," as to how it was to determine damages. There were no instructions as to reasonable or established royalty or as to lost profits. The jury was told only that

In determining damages, the law does not permit the jury to award any greater sum than the monetary loss which the plaintiff has suffered as a result of the defendant's infringement, without regard to whether the defendant has gained or lost by infringement.

The question then is:
What monetary loss, if any,
did the plaintiff suffer by
the infringement?

Damages must be proved as any other issue in this case: That is, the plaintiff must prove by the preponderance of the evidence the damage, if any, caused by the defendant's infringement.

You must determine from the preponderance of the evidence the amount of money which will fairly compensate plaintiff for the actual loss, if any, on the eighteen sales made by defendant.

It is agreed between the parties to this action that June 26, 1979 was the date on which defendant first received actual notice asserting infringement of the Shahan patent. So plaintiff's damages are limited to the actual loss on those eighteen sales.

In no event can damages exceed \$21,498.

Although Sowa stipulated that "claims 3, 5 and 7 of the Shahan patent have been infringed by shackles [it] manufactured and sold" (emphasis ours), we must also mention that the eighteen

sales referred to in the above instructions are not chronicled in the list of stipulated facts which the court read to the jury. The parties' briefing on the extent of infringement is lacking in detail. Eighteen sales were admitted, however, by counsel for Sowa at an in-chambers discussion of the court's proposed jury instructions.

6. Sowa's Antitrust and Unfair Competition Counterclaims

After denying AmHoist's motion for judgment n.o.v. or, in the alternative, for a new trial, the court held that there was sufficient evidence "to satisfy the jury that there was intentional fraud as distinguished from technical fraud." It then ordered Sowa's antitrust and unfair competition claims based on its allegations of fraud in the PTO set for

trial, prompting AmHoist to move for summary judgment and Sowa for partial summary judgment.

On cross-appeal, Sowa argues that the trial court erred in granting AmHoist's summary judgment motion and in dismissing Sowa's counterclaims. It contends that the district court erred in holding that, at the least, the "subjective but for" test of materiality must be satisfied and was not. Additionally, it suggests that the dismissal was erroneous because "Sowa either proved, or offered to prove, the other elements required to make out a Sherman Act §2 violation and the trial court did not question the presence of such other elements." Although AmHoist asserts that the counterclaims are defective for failure to introduce or offer evidence on the relevant market,

Sowa responds that "relevant market is not a necessary element of a Section 2 Sherman Act violation under established Ninth Circuit Law."

Sowa asserts that if there existed a controversy over the Ninth Circuit's view that no relevant market need be pleaded or proved, it "has long since been resolved" by Judge Hufstedler's opinion for the court in Cornwell Tools Co. v. C.T.S. Co., 446 F.2d 825, 832 (9th Cir. 1971), cert. denied, 404 U.S. 1049 (1972). In that case, a contract action by a manufacturer against its former distributor to recover the purchase price of merchandise sold to the distributor, the defendant counterclaimed for violation of section 2 of the Sherman Act, asserting that plaintiff had "attempted to gain monopolistic control over the sale of

tools in California and Nevada." In addition to its offer to prove that plaintiff tried to drive it out of business, the court stated that "CTS had to prove two additional elements: (1) [plaintiff] had the specific intent to monopolize, and (2) it had sufficient market power to come dangerously close to success." Id.

Interpretation of this case as dispensing with a showing of relevant market is not plausible, for it would preclude analysis of "monopoly"--that market position alleged to have been attempted, and as to which there apparently must be a "dangerous probability of success." Allegations of monopolization or attempt to monopolize cannot be resolved without determining the subject of the supposed or desired monopoly, an issue that has been the focal point of

numerous antitrust disputes. See Acme Precision Products, Inc. v. American Alloys Corp., 484 F.2d 1237, 1240, 179 USPQ 453, 454-55 (8th Cir. 1973) ("It seems to this court clear, both on authority and logic, that when a charge is made of an attempt to monopolize, the first question would be--'to monopolize what?'"). Accordingly, we hold that proof of relevant market is requisite to a holding that 15 USC 2 has been violated.

Sowa cites cases that rely on Lessig v. Tidewater Oil Co., 327 F.2d 459 (9th Cir.), cert. denied, 377 U.S. 993 (1964), a Sherman Act and Clayton Act case that arose from Tidewater's cancellation of a service station lease and dealer contract with Lessig, for the proposition that proof of relevant market is dispensable in "attempt" cases. However, that case

was decided prior to Walker Process Equipment, Inc. v. Food Machinery & Chemical Corp., 382 U.S. 172 (1965), where the Supreme Court said:

To establish monopolization or attempt to monopolize a part of trade or commerce under §2 of the Sherman Act, it would then be necessary to appraise the exclusionary power of the illegal patent in terms of the relevant market for the product involved. [Id. at 177.]

Indeed, the Ninth Circuit itself has acknowledged that proof of relevant market is essential. Mayview Corp. v. Rodstein, 620 F.2d 1347, 1356, 205 USPQ 302, 310 (9th Cir. 1980); Handgards, Inc. v. Ethicon, Inc., 601 F.2d 986, 993 n.13, 202 USPQ 342, 348 n.13 (9th Cir. 1979), cert. denied, 444 U.S. 1025 (1980); Cataphote Corp. v. DeSoto Chemical Coatings, Inc., 450 F.2d 769, 771-72, 171 USPQ 736, 738 (9th Cir. 1971).

Additionally, Lessig v. Tidewater Oil Co., the asserted "Ninth Circuit view," has been expressly rejected by a number of other courts. Acme Precision Products, Inc. v. American Alloys Corp., supra; Edward J. Sweeney & Sons, Inc. v. Texaco, Inc., 637 F.2d 105, 117 (3d Cir. 1980), cert. denied, 451 U.S. 911 (1981); Spectrofuze Corp. v. Beckman Instruments, Inc., 575 F.2d 256, 276 n.69 (5th Cir. 1978), cert. denied, 440 U.S. 939 (1979); United States v. Chas. Pfizer & Co., Inc., 245 F. Supp. 737, 738-39 (ED NY 1965); Becker v. Safelite Glass Corp., 244 F. Supp. 625, 637-38 (D. Kan. 1965); United States v. Johns-Manville Corp., 231 F. Supp. 690, 699-701 (E.D. Pa. 1964). See also Moraine Products v. ICI America, Inc., 379 F. Supp. 261, 265 (N.D. Ill. 1974) (antitrust count alleging fraudulent

procurement and enforcement dismissed because of failure to plead "the relevant market for the patent [sic, claimed invention] and the exclusionary power of the patentee within that market").

Sowa also argues, however, that fraudulent procurement of a patent should be classified with those types of conduct that have been held to be per se violations of 15 USC 2. The answer to this contention is a simple one.

The patent system, which antedated the Sherman Act by a century, is not an "exception" to the antitrust laws, and patent rights are not legal monopolies in the antitrust sense of that word. Accordingly, if a patent is held to have been obtained illegally, it is not properly said, ipso facto, that it was all along an illegal monopoly and, thus, that its

procurement and attempted enforcement was a per se violation of the antitrust laws. A holding that monopoly analysis should end in favor of liability on a determination of fraud, without more, would signal a fundamental misunderstanding of the substance and purposes of both the patent and the antitrust laws.

Accordingly, we affirm the district court's dismissal of Sowa's counterclaim under 15 USC 1, its counterclaim of monopolization and conspiracy to monopolize under 15 USC 2, and, because Sowa may have been misled by Ninth Circuit precedent, we reverse the court's decision to dismiss the attempt-to-monopolize counterclaim. On remand, the attempt claim may be scrutinized again after reconsideration of the fraud allegation in view of the law discussed above. Of

course, should Sowa fail to meet its burden of proof of fraud, or should it fail to offer proof of relevant market and a dangerous probability of success of monopolization, the claim should again be dismissed.

In conclusion, we must note the indications in the transcript of proceedings that there may have been some confusion with respect to "intentional fraud" and "technical fraud." These terms, as the district court apparently recognized, are not interchangeable, yet any confusion that may have resulted is understandable.

Although an unfortunate choice of words, the Supreme Court in Walker Process, supra, stated that an "honest mistake" as to the effect on patentability of withheld information was merely

"technical" fraud. Several years later, the CCPA erred in its use of that term, labeling as "technical fraud" the proof of all elements of a common law action for fraud. Norton v. Curtiss, 433 F.2d 779, 167 USPQ 532 (CCPA 1970). We here endorse the meaning utilized by the Supreme Court, although we will attempt to couch future discussion of such claims simply in terms of "fraud" and "no fraud."

On re-reading his jury instructions, the district judge noted the following at oral argument on AmHoist's motion for summary judgment:

I think I may have given them not only intentional fraud, but possibly some other confusing language. But let's assume for a minute, as I am doing, that the jury found intentional fraud in the case. The question then arises as to whether or not when the patent examiner recommended reissue, he made the determination that

that fraud was not material in the Walker sense, material--pardon me--technical fraud, on the patent office, as the jury found, but not material in the Walker sense.

He also noted that the instructions on fraud contained a "paragraph which describes an applicant's duty, none of which are tied to materiality or intentional fraud."

In evaluating fraud and the antitrust counterclaim, the court remarked that:

First, my instructions, as I have indicated, were designed to submit to them intentional fraud and I did touch on materiality. However, I think that it's clear that I also, on the application of the parties, submitted instructions which defined the applicant's duty in terms less than all of the elements of Walker type fraud, that are required in this case.

Further, in granting AmHoist's motion, he said that "irrespective of the fraud on the patent office, if it had known of the fraud, still would have issued the patent and therefore, as to claim 3, there is no fraud that was material in the issuance."

These excerpts seem to indicate that there was no thorough conviction on either materiality or intent. Thus, in reversing the court's decision on the attempt charge, we caution that such allegations are not lightly sustained. Further, with respect to the attempt-to-monopolize counterclaim based on fraud, we emphasize that a specific intent, greater than an intent evidenced by gross negligence or recklessness, is an indispensable element. E.g., United States v. Aluminum Co. of America, 148 F.2d 416, 431-32 (2d Cir. 1945).

In light of the need for reconsideration of patentability and the fraud charge by the district court, we also reverse the court's decision to dismiss Sowa's unfair competition counterclaim. On remand, however, Sowa must set forth precisely what it believes amounted to unfair competition and why, including what injury it thinks it has suffered as a result. The few cases it cited are not helpful in this regard, and its brief discussion of AmHoist's patent prosecution and enforcement activities in relation to the general policies of unfair competition is inadequate.

Conclusion

For the foregoing reasons, we affirm the dismissal of Sowa's 15 USC 1 counterclaims and its 15 USC 2 monopolization and conspiracy counterclaims, we reverse

the decision to dismiss Sowa's unfair competition and 15 USC 2 "attempt" counterclaims, we reverse the holding that claims 3, 5, and 7 of AmHoist's patent are invalid for obviousness and fraud in the PTO, we vacate the award of attorney's fees, we reverse the court's determination that the jury could properly have determined that no damages were proved, and, because there exist disputed matters of fact with respect to the §103 obviousness issue, we remand for a new trial with directions that the trial be conducted in conformance with this opinion.

AFFIRMED-IN-PART, REVERSED-IN-PART,

VACATED-IN-PART AND REMANDED

